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NEW APPLICATION

**"ITS" Network Services**

"Integrated TeleServices....at your fingertips...."

**RECEIVED**

2002 JAN 11 P 1:00

January 4, 2002

AZ CORP COMMISSION  
DOCUMENT CONTROLDocket Control Center  
ARIZONA CORPORATION COMMISSION  
1200 W. Washington Street  
Phoenix, Arizona 85007**DOCKET NO.: MT-04078A-02-0028**

Re: Application of ECI Communications, Inc., d/b/a ITS Network Services for a Certificate of Convenience and Necessity

Dear Sir:

Enclosed are an original and ten (10) copies of the Application of ECI Communications, Inc. ("ECI" or "Applicant") for a Certificate of Convenience and Necessity. So that our records will be complete, I would appreciate it if you would please date-stamp the extra copy of this transmittal letter and mail it in the envelope provided.

Any questions regarding this Application should be directed to Todd H. Lowe, President, Visiology, Inc., 16061 Carmel Bay Drive, Northport, Alabama 35475, who may be reached by telephone at (205) 330-1701. Any questions regarding the ongoing operations of ECI should be directed to Jack Burk, Director of Operations, ECI Communications, Inc., 7108 Fresno Avenue, Suite 300, Fresno, CA 93720, who may be reached by telephone at (559) 447-2100. Thank you for your assistance in this matter.

Yours truly,

Ed Jacobs  
President

Attachments

**"ITS Network Services, Inc.**7108 Fresno Avenue, Suite 300  
Fresno, CA 93720  
(559) 447-2100 • (559) 447-2121

**If the Applicant wants to provide any type of non-Customer Owned Pay Telephone ("COPT") or non-Alternative Operator Services ("AOS") telecommunications services in Arizona, provide the Arizona Corporation Commission ("Commission") with the information being requested.**

**Remember that information submitted for a Certificate of Convenience and Necessity ("CC&N") will be made part of the public record (including financial statements). Any information designated as confidential will not be accepted by Docket Control. Mail your original CC&N application plus ten (10) copies to Arizona Corporation Commission, Docket Control, 1200 W. Washington Street, Phoenix, AZ 85007-2927.**

**Make sure each numbered item and each part of the item is answered completely. If it is not, Staff will re-submit the numbered item(s) and/or part(s) of the item in a following data request. In order for Staff to review of your application, the following information must be provided:**

1. Please indicate the type of telecommunications services you want to provide in Arizona and answer the appropriate numbered items.

☒ X Resold long distance services (answer items 1 - 24 and items 25 - 35)  
☐ Resold local exchange services (answer items 1 - 24 and items 36 - 46)  
☐ Facilities-based long-distance services (answer items 1 - 24 and items 47 - 58)  
☐ Facilities-based local exchange services, voice and/or data (answer items 1 - 24 and items 59 - 78)

Please provide the name of the Applicant. **ECI Communications, Inc.**

2. Provide the address of the Applicant **7108 Fresno Avenue, Suite 300, Fresno, CA 93720**

Provide the telephone number (including area code) of the Applicant. **(559) 447-2100**

Provide facsimile number (including area code) of the Applicant. **(559) 447-2121**

Provide the e-mail address of the Applicant. **jburk@ITSONline.net**

Provide the Web address (if one is available for customer access) of the Applicant.  
**www.itsonline.net/home.htm**

3. Please provide the d/b/a name, if doing business other than the Applicant's name listed above, specify **ECI Communications, Inc., d/b/a ITS Network Services.**

4. Please provide the name of the management contact. **Jack Burk, Director of Operations**

Provide the address of the management contact. **7108 Fresno Avenue, Suite 300, Fresno, CA 93720**

Provide the telephone number (including area code) of the management contact. **(559) 447-2100**

Provide facsimile number (including area code) of the management contact. **(559) 447-2121**

Provide the e-mail address of the management contact. **jburk@ITSONLine.net**

5. Please provide the name of the Attorney and/or Consultant representing the Applicant. **Todd H. Lowe, President, Visiology, Inc.**

Provide the address of the Attorney and/or Consultant representing the Applicant. **16061 Carmel Bay Drive, Northport, Alabama 35475**

Provide the telephone number (including area code) of the Attorney and/or Consultant representing the Applicant. **(205) 330-1701**

Provide facsimile number (including area code) of the Attorney and/or Consultant representing the Applicant. **(205) 330-1705**

Provide the e-mail address of the Attorney and/or Consultant representing the Applicant. **toddlowe@visiology.com**

6. Please provide the name of the Company's complaint contact person. **Jack Burk, Director of Operations**

Provide the address of the Company's complaint contact person. **7108 Fresno Avenue, Suite 300, Fresno, CA 93720**

Provide the telephone number (including area code) of the Company's complaint contact person. **(559) 447-2100**

Provide facsimile number (including area code) of the Company's complaint contact person. **(559) 447-2121**

Provide the e-mail address of the Company's complaint contact person. **jburk@ITSONLine.net**

*(Note; You are required to inform the Commission of any changes pertaining to the Applicant, dba name, management contact, Attorney and/or Consultant, or the Company's complaint contact person.)*

7. Please identify the type of legal entity the Applicant is:

Sole Proprietorship ☐

Partnership please indicate type: ☐ limited, ☐ general,  
please indicate domicile: ☐ Arizona, ☐ Foreign

Limited Liability Company: ☐  
please indicate domicile: ☐ Arizona, ☐ Foreign

Corporation please indicate type: ☐ "S", ☒ "C", ☐ Non-profit, ☐  
please indicate domicile: ☐ Arizona, ☒ Foreign

*(Note: According to A.R.S. § 40-282 A., "If an Applicant for a Certificate of Convenience and Necessity is a corporation, a certified copy of its Articles of Incorporation shall be filed in the office of the commission before any Certificate of Convenience and Necessity may issue.")*

Other, specify \_\_\_\_\_

8. Please provide a copy of the Applicant's authority to do business in Arizona as Attachment "A".

Provide the names of all owners, partners, limited liability company managers, or corporation officers and directors (specify) in Attachment "A" and;

Provide their respective percentages of ownership in Attachment "A".

9. Please provide us with a copy of your proposed tariffs as Attachment "B".

Indicate by reference to page number(s) the proposed rates and charges for each service to be provided. **Price List pages 1 - 10**

Indicate by reference to page number(s) the tariff (maximum) rate as well as the price to be charged. **Tariff Pages 50 - 59, Price List pages 1 - 10**

*(Note: If no maximum rates are indicated, then the current prices on file will be considered current and maximum rates.)*

Indicate by reference to page number(s) the terms and conditions that will apply to provision of the service(s) by your Company. **Pages 10 - 38**

Indicate by reference to page number(s) the deposits, advances, and/or prepayments that will apply to provision of the service(s) by your Company. **Page 26**



*(Note: Price list rate changes that result in rates that are lower than the tariff rate are effective upon concurrent notice to the Commission (see Rule R14-2-1109 (B) (2)). See Rule R14-2-1110 for procedures to make price list changes that result in rates that are higher than the tariff rate.)*

10. Please indicate the geographic market you will serve:

**Statewide**

Other, describe the area by community or rate center name

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11. Please indicate if the Company has been or the Company is concurrently involved in any formal complaint proceedings pending before any State or Federal Regulatory Commission. **NO**

If "yes", in which states is the Company involved in proceedings?

What is the substance of these complaints?

Provide a copy of the Commission order(s) that resolved any of these complaints.

12. Please indicate if the Company has been or the Company is concurrently involved in any civil or criminal investigations related to the delivery of telecommunications services within the last five years. **No**

If "yes", in which states has the Applicant been involved in investigations?

Indicate why is the Applicant being investigated.

13. Please indicate if the Applicant had judgement entered against it in any civil matter or been convicted of criminal acts related to the delivery of telecommunications services within the last five years. **NO**

If "yes", list the states in which a judgement or conviction was entered.

Provide a copy of the court order.

14. Please indicate if your customers will be able to access alternative toll service providers or resellers via 1+101XXXX access. **Yes**

15. Please indicate if your Company has financial statements for the two most recent years. **No. Incorporated September 20, 2000.**

If "no", explain why and give the date your Company began operations.

16. Please provide financial information as Attachment "C".

Provide us with a copy of your Company's balance sheet in Attachment "C".

Provide us with a copy of your Company's income statement in Attachment "C".

Provide us with a copy of your Company's audit report (if audited) in Attachment "C".

Provide all related notes to these financial statements for the two most recent years that your Company has been in business in Attachment "C".

17. Please provide retained earnings account information on the balance sheet or on a separate sheet in Attachment "C". **On Balance Sheet**

18. Please indicate if your Company is a subsidiary. **No.**

If "yes", provide a copy of your Parent Company's financial statements, in addition to your Company's financial statements, in Attachment "C".

Repeat items 15, 16 and 17 for your Parent Company. Make sure answers furnished by your Parent Company satisfy each item and request for information.

19. Please indicate if your Company intends to rely on the financial resources of its Parent Company. **N/A**

If "yes", provide a written statement from your Parent Company attesting that it will provide complete financial backing if your Company experiences a net loss or business failure. The statement should also affirm that it will guarantee re-payment of customers' advances, prepayments, or deposits held by your Company if, for some reason, your Company cannot provide service or repay the deposits.

20. Please indicate if your customers will be required (or have the option) to pay advances, prepayments, or deposits for any of your products or services. **No**

If "yes", provide an explanation of how and when these customer advances, prepayments, or deposits will be applied or reference the terms and conditions section of your Company's tariffs (by reference to page number(s)) with this explanation. If this information is not explained in the tariff, provide it on a separate sheet.

*(Note: Commission considers prepaid calling cards de facto prepayments.)*

If at a later date, your Company decides it wants to offer or require customer advances, prepayments, or deposits, it may be required to submit updated financial statements as part of the tariff amendment process.

21. Please state the proposed fee that will be charged for returned checks. **\$25.00 Price List Page 10**

22. Please clarify and indicate by reference to page number(s) in your tariff your Company's deposit policy. **Page 26 - No deposits.**

*(Note: Pursuant to A.A.C. R14-2-503 (B), the amount of a deposit required by the utility shall not exceed 2 times that residential customer's estimated average monthly bill or the average monthly bill for the customer class for that customer which ever is greater. Nonresidential customer deposits shall not exceed 2 ½ times that customer's estimated maximum monthly bill. The term "deposit" refers to all deposits, advance payments, and prepayment.)*

23. Please submit copies of affidavits of publications that the Company has, as required, published legal notice of the application in all counties where services will be provided. Prior to the issuance of a CC&N, the Applicant is to complete and submit the following:

A correspondence letter. Refer to the Sample Correspondence Letter in the Legal Notice Material;

Affidavits of publication form. Refer to the Sample Proof of Publication and an Affidavit of Publication in the Legal Notice Material; and

The actual copy of your Company's published Legal Notice as noted in the Legal Notice Material.

*(Note: Use the Sample Legal Notice For Resold Telecommunications Services to provide resold long distance and/or resold local exchange telecommunications services. Use the Sample Legal Notice For Facilities-Based Telecommunications Services to provide facilities-based and resold local exchange, long distance and access exchange telecommunications services. All material for preparing and filing Legal Notice in the newspapers is available at the end of item number 78).*

**Will be Late Filed.**

24. Based on the review of the financial information submitted, Staff will determine whether or not the Applicant lacks sufficient financial resources.

If Staff determines the Applicant lacks sufficient financial resources, the Applicant must do one of the following:

1. Staff recommends that the Applicant procure a performance bond equal to \$10,000. The minimum bond amount of \$10,000 should be increased if at any time it would be insufficient to cover prepayments or deposits collected from the Applicant's customers. Staff further recommends that proof of the above mentioned performance bond be docketed within 90 days of the effective date of an order in this matter or 30 days prior to the provision of service, whichever comes first. If the Applicant is currently providing service, then please docket the performance bond within 60 days of the date of this letter.

*(Note: The minimum bond amount for each type of telecommunication services is as follows: resold long distance \$10,000; resold local exchange \$25,000; facilities-based long distance \$100,000; and facilities-based local exchange, including access service, \$100,000. The amount of performance bond for multiple services is an aggregate of the minimum bond amount for each type of telecommunications services requested by the Applicant.)*

**OR**

2. The Applicant must file a letter stating that it does not currently, and will not in the future, charge its customers for any prepayments, advances, or deposits. If the Applicant is currently collecting prepayments, advances, or deposits, the Applicant must refund those charges to customers to avoid maintaining the above mentioned performance bond. If in the future, the Applicant desires to charge prepayments, advances, or deposits, it must file information with the Commission that demonstrates the Applicant's financial viability. Staff will review the information and forward its recommendation to the Commission for a Decision.

**If the Applicant wants to provide resold long distance telecommunications services, provide information as requested in items 1 - 24 and items 25 - 35.**

25. Please indicate if your Company is currently reselling long distance telecommunications services in Arizona. **No**

If "yes", please provide the date or approximate date you began reselling long distance telecommunications services in Arizona.

Identify the types of long distance telecommunications services you resell.

Identify whether operator services are provided or resold.

Identify whether operator services are provided or resold to traffic aggregators (as defined in A.A.C. Rule R14-2-1001 (3)).

*(Note: Commission rule requires that a separate CC&N, issued under Article 10, be obtained in order to provide operator services to traffic aggregators.)*

Identify the number of customers in Arizona for each type of resold long distance telecommunications service.

Identify the total number of long distance intrastate minutes resold in the latest 12-month period for which data is available.

If "no", please indicate the date when your Company plans to begin reselling long distance telecommunications services in Arizona. **1st Quarter 2002**

26. Please list the states in which you have applied for authority to offer resold long distance telecommunications services. **California, Colorado, Indiana, Massachusetts, Michigan, Montana, Nevada, Oregon, Pennsylvania, and Wisconsin.**
27. Please indicate the resold long distance telecommunications services you applied for in each state. **The same as in this application.**
28. Please list the states in which you have been approved to offer resold long distance telecommunications services similar to those you intend to resell in Arizona. **Michigan and Montana.**
29. Please list the states in which you currently offer resold long distance telecommunications services similar to those you intend to resell in Arizona. **None.**
30. Please provide a list of the states in which you have sought authority to resell long distance telecommunications services and either granted the authority with major changes and conditions, or had your application denied. **None**

For each state listed, provide a copy of the Commission's decision modifying or denying your application for authority to provide resold long distance telecommunications services.

31. Please indicate if the Company has been granted authority to provide or resell long distance telecommunications services in any state where subsequently the authority was revoked. **None**

If "yes", provide copies of the State Regulatory Commission's decision revoking its authority.

32. Please list and give a detailed explanation of complaints you have received (if any) regarding resold long distance exchange telecommunications services offered in other states. **None**

State what actions were taken to remedy these complaints and to prevent them from occurring again.

33. Please indicate if your Company is a switchless reseller of long distance telecommunications services **Yes**

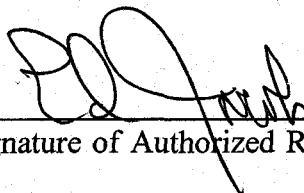
If "yes", provide the name of the company or companies whose long distance telecommunications services you resell. **Global Crossings**

If "no" include Attachment "E".

*(Note: Attachment "E" needs to provide the following information:  
A diagram of the Applicant's basic call network used to complete Arizona intrastate resold long distance telecommunications traffic. This diagram should show how a typical call is routed in both its originating and terminating ends (i.e. show the access network and call completion network). Also, include on the diagram the carrier(s) used for each major network component and indicate if the carrier is facilities-based or not. If the carrier is not facilities-based indicate who owns the facilities (within the State of Arizona) that are used to originate and terminate the Applicant's intrastate resold long distance telecommunications traffic (i.e. provide a list of the Arizona facilities-based long distance carriers whose facilities are used to complete the Applicant's intrastate traffic.)*

34. Please list the companies with which you have signed resale agreements for long distance, along with the states in which they were approved. **Long distance resale agreements are not approved by states.**
35. Please provide us with a copy of the resale agreement or contract between your Company and the applicable local exchange service provider. All applications for resold long distance telecommunications services must include a resale agreement or contract as Attachment "F". **Long distance resellers do not have resale agreements with local exchange service providers.**

I certify that if the applicant is an Arizona corporation, a current copy of the Articles of Incorporation is on file with the Arizona Corporation Commission and the applicant holds a Certificate of Good Standing from the Commission. If the company is a foreign corporation or partnership, I certify that the company has authority to transact business in Arizona. Upon signing this application, I attest that I have read the Commission's rules and regulations related to the regulation of telecommunications services and that the company will abide by Arizona State law including the Arizona Corporation Commission Rules and Regulations. I agree that the Commission's rules apply in the event there is a conflict between those rules and the company's tariff, unless otherwise ordered by the Commission. I certify that to the best of my knowledge the information provided in this Application and Petition is true and correct.



(Signature of Authorized Representative)

1/9/02  
(Date)

Ed Jacobs

(Printed Name of Authorized Representative)

President

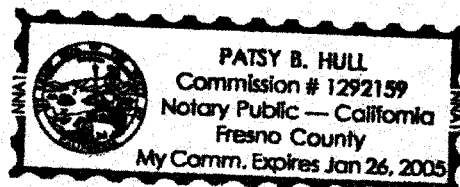
(Title)

SUBSCRIBED AND SWORN to before me this 9<sup>th</sup> day of January, 20 02



NOTARY PUBLIC

My Commission Expires 1-26-2005



**ECI Communications, Inc.**

**ARIZONA CORPORATION COMMISSION**

**CC&N APPLICATION**

**ATTACHMENT A**

**CORPORATE DOCUMENTS**

Officers & Directors  
Articles of Incorporation  
Certificate of Authority  
d/b/a Registration



**ECI Communications, Inc.  
Officers, Directors, & Shareholders**

Name/Title	Address	% of Common Shares
Edward Jacobs, President	7108 N. Fresno Street, #300 Fresno, CA 93720	23.59%
Alex Soong, Secretary, Director		0.00%
Calvin Wong, CEO, Treasurer, Chairman		11.65%
Jack Burk		2.91%
Jennifer Wong	419 San Madele Coalinga, CA 93210	8.16%
Blake Wong		2.33%
Brett Wong		2.33%
Ed Wong		3.50%
Yolanda Sanchez	921 West F. Street Onterio, CA 91762	1.17%
Ron Jacobs	3124 S. Dayton Street Denver, CO 80231	2.91%
Loberta Jacobs	27101 Puerta Del Oro Mission Viejo, CA 92691	1.46%
Negin Miknafs	12 San Julian Rancho Santa Margarita, CA 92688	1.14%
The Estate of ITS, H Wheeler, Trustee	P.O. Box 2220 Clovis, CA 93613	38.83%

Filing fee: \_\_\_\_\_  
Receipt #: \_\_\_\_\_

**Articles of Incorporation**  
(PURSUANT TO NRS 78)  
**STATE OF NEVADA**  
**Secretary of State**

**FILED #** C25302-00

**SEP 20 2000**

(For filing office use)

IN THE OFFICE OF

(For filing office use)

DEAN HELLER, SECRETARY OF STATE

1. **NAME OF CORPORATION:** ECI Communications Corp.
2. **RESIDENT AGENT:** (designated resident agent and his STREET ADDRESS in Nevada where process may be served)  
Name of Resident Agent: Jessica Schiemann  
Street Address: 3061 Probasco Way Sparks, NV 89431  
Street No. Street Name City Zip
3. **SHARES:** (number of shares the corporation is authorized to issue)  
Number of shares with par value: 100,000,000 Par value: \$ .0001 Number of shares without par value: None
4. **GOVERNING BOARD:** shall be styled as (check one): ☒ **Directors** ☐ **Trustees**  
The **FIRST BOARD OF DIRECTORS** shall consist of one at time of incorporation member(s) and the name(s) and address(es) are as follows  
(attach additional pages if necessary):  
Calvin Wong 260 52nd Street, #75, New York, NY 10019  
Name Address City/State/Zip
5. **PURPOSE** (optional - see instruction sheet): **The purpose of the corporation shall be:**  
Any legal Act within the State of Nevada
6. **OTHER MATTERS:** This form includes the minimal statutory requirements to incorporate under NRS 78. You may attach additional information pursuant to NRS 78.037 or any other information you deem appropriate. If any of the additional information is contradictory to this form it cannot be filed and will be returned to you for correction. Number of pages attached Six(6).
7. **SIGNATURES OF INCORPORATORS:** The names and addresses of each of the incorporators signing the articles: (signatures must be notarized.)  
(attached additional pages if there are more than two incorporators.)

Jessica Schiemann

Name

3061 Probasco Way, Sparks, NV 89431

Address

City/State/Zip

Jessica Schiemann  
Signature

State of Nevada County of Washoe

This instrument was acknowledged before me on

September 18, 2000, by

Jessica Schiemann

Name of Person

as incorporator of

ECI Communications Corp.

(name of party on behalf of whom instrument was executed)

Connie Hayduk  
Notary Public Signature

Notary Public Signature

(affix notary stamp or seal)



CONNIE HAYDUK  
Notary Public - State of Nevada  
Appointment Recorded in Washoe County  
No: 88-0238-2 - Expires August 12, 2004

Signature

State of Nevada County of Washoe

This instrument was acknowledged before me on

N/A, by

Name of Person

as incorporator of

N/A

(name of party on behalf of whom instrument was executed)

Notary Public Signature

8. **CERTIFICATE OF ACCEPTANCE OF APPOINTMENT OF RESIDENT AGENT**

I, Jessica Schiemann hereby accept appointment as Resident Agent for the above named corporation.

Jessica Schiemann  
Signature of Resident Agent

September 18, 2000

Date

09/20/2000 09:01A MLR195 FY01-000-10019

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**ECI Communications Corp.**

**THIRD.** The objects for which this Corporation is formed are: To engage in any lawful activity, including, but not limited to the following:

(B) May at any time exercise such rights, privileges and powers, when not inconsistent with the purposes and objects for which this Corporation is organized.

(D) Shall have the power to effect litigation in its own behalf and interest in any court of law.

(F) Shall have power to hold, purchase and convey real and personal estate and mortgage or leased any such real and personal estate with its franchises. The power to hold real and legality of the document.

1 (G) Shall have power to appoint such officers and agents, as the affairs of the  
2 Corporation shall require, and to allow them suitable compensation.

3 (H) Shall have power to make By-Laws not inconsistent with the constitution  
4 or laws of the United States, or of the State of Nevada, for the management, regulation and  
5 government of its affairs and property, the transfer of its stock, the transaction of its business,  
6 and the calling and holding of meetings of its stockholders.

7 (I) Shall have power to dissolve itself.

8 (J) Shall have power to adopt and use a common seal or stamp, and alter the  
9 same. The use of a seal or stamp by the Corporation on any Corporate document is not  
10 necessary. The Corporation may use a seal or stamp, if it desires, but such use or nonuse shall  
11 not in any way affect the legality of the document.

12 (K) Shall have power to borrow money and contract debts when necessary for  
13 the transaction of its business, or for the exercise of its corporate rights, privileges or franchises,  
14 or for any other lawful purpose of its Incorporation; to issue bonds, promissory notes, bills of  
15 exchange, debentures, and other obligations and evidences of indebtedness, payable at a  
16 specified event or events, whether secured by mortgage, pledge or otherwise, or unsecured, or for  
17 money borrowed, or in payment for property purchased or acquired, or for any other lawful  
18 object.

19 (L) Shall have power to guarantee, purchase, hold, sell, assign, transfer,  
20 mortgage, pledge or otherwise dispose of the shares of the capital stock of, or any bonds,  
21 securities or evidences of the indebtedness created by, any other Corporation or Corporations of  
22 the State of Nevada, or any other state or government, and, while owners of such stock, bonds,  
23 securities or evidences of indebtedness, to exercise all the rights, powers and privileges of  
24 ownership, including the right to vote, if any.

25 (M) Shall have power to purchase, hold, sell and transfer shares of its own  
26 capital stock and use therefor its capital, capital surplus, surplus or other property or fund.

27 (N) Shall have power to conduct business, have one or more offices, and hold,  
28 purchase mortgage and convey real and personal property in the State of Nevada, and in any of  
29 the several states, territories, possessions and dependencies of the United States, the District of  
30 Columbia, and foreign countries.

1 (O) Shall have power to do all and everything necessary and proper for the  
2 accomplishment of the objects enumerated in its certificate or Articles of Incorporation, or any  
3 amendment thereof, or necessary or incidental to the protection and benefit of the Corporation,  
4 and, in general to carry on any lawful business necessary or incidental to the attainment of the  
5 objects of the Corporation, whether or not such business is similar in nature to the objects set  
6 forth in the certificate or Articles of Incorporation of the Corporation, or any amendment thereof.

7 (P) Shall have power to make donations for the public welfare or for  
8 charitable, scientific or educational purposes.

9 (Q) Shall have power to enter into partnerships, general or limited, or joint  
10 ventures in connection with any lawful activities.

11  
12 **FOURTH.** The aggregate number of shares the Corporation shall have authority to  
13 issue shall be one hundred million(100,000,000) shares of common stock, par value \$.0001, each  
14 share of common stock having equal rights and preferences, voting privileges and preferences.

15  
16 **FIFTH.** The governing board of this Corporation shall be known as directors, and  
17 the number of directors may from time to time be increased or decreased in such manner as shall  
18 be provided by the By-Laws of this Corporation, providing that the number of directors shall not  
19 be reduced or fewer then one (1).

20  
21 The name and post office address of the first Board of Director shall be  
22 *one* in number and listed as follows:

23  
24 Name Address  
25  
26 Calvin Wong #7J  
27 260 W. 52<sup>nd</sup> Street #75, NY, NY 10019

28 **SIXTH.** The capital stock, after the amount of the subscription price, or par value,  
29 has been paid in, shall not be subject to assessment to pay the debts of the Corporation.

1 **SEVENTH.** The name and post office address of the Incorporator signing the Articles  
2 of Incorporation is as follows:

3		
4	<u>Name</u>	<u>Address</u>
5		
6	<i>Jessica Schiemann</i>	<i>3061 Probasco Way, Sparks, NV 89431</i>

7  
8 **EIGHTH.** The resident agent for this Corporation shall be:

9  
10 *Jessica Schiemann*

11  
12 The address of said agent, and the registered or statutory address of this Corporation in the State  
13 of Nevada shall be:

14  
15 *3061 Probasco Way, Sparks, NV 89431*

16  
17 **NINTH.** The Corporation is to have perpetual existence.

18  
19 **TENTH.** In furtherance and not in limitation of the powers conferred by statute, the  
20 Board of Directors is expressly authorized:

21  
22 Subject to the By-Laws, if any, adopted by the stockholders, to make, alter  
23 or amend the By-Laws of the Corporation.

24  
25 To fix the amount to be reserved as working capital over and above its  
26 capital stock paid in; to authorize and cause to be executed, mortgages and liens upon the real  
27 and personal property of this Corporation.

28  
29 By resolution by a majority of the whole Board, to designate one (1) or  
30 more committees, each committee to consist of one (1) or more of the Directors of the  
31 Corporation, which, to the extent provided in the resolution, or in the By-Laws of the

1 Corporation, shall have and may exercise the powers of the Board of Directors in the  
2 management of the business and affairs of the Corporation. Such committee or committees shall  
3 have such name, or names as may be stated in the By-Laws of the Corporation, or as may be  
4 determined from time to time by resolution adopted by the Board of Directors.

5  
6 When and as authorized by the affirmative vote of the stockholders  
7 holding stock entitling them to exercise at least a majority of the voting power given at a  
8 stockholders meeting called for that purpose, or when authorized by the written consent of the  
9 holders of at least a majority of the voting stock issued and outstanding, the Board of Directors  
10 shall have power and authority at any meeting to sell, lease or exchange all of the property and  
11 assets of the Corporation, including its goodwill and its franchises, upon such terms and  
12 conditions as its Board of Directors deems expedient and for the best interest of the Corporation.

13  
14 **ELEVENTH.** No shareholder shall be entitled as a matter of right to subscribe for or  
15 receive additional shares of any class of stock of the Corporation, whether now or hereafter  
16 authorized, or any bonds, debentures or securities convertible into stock, but such additional  
17 shares of stock or other securities convertible into stock may be issued or disposed of by the  
18 Board of Directors to such persons and on such terms as in its discretion it shall deem advisable.

19  
20 **TWELFTH.** No director or officer of the Corporation shall be personally liable to the  
21 Corporation or any of its stockholders for damages for breach of fiduciary duty as a director or  
22 officer involving any act or omission of any such director or officer; provided however, that the  
23 foregoing provision shall not eliminate or limit the liability of a director or officer (i) for acts or  
24 omissions which involve intentional misconduct, fraud or a knowing violation of law, or (ii) the  
25 payment of dividends in violation of Section 78.300 of the Nevada Revised Statutes. Any repeal  
26 or modification of these Articles by the stockholders of the Corporation shall be prospective only  
27 and shall not adversely affect any limitation on the personal liability of a director or officer of the  
28 Corporation for acts or omission to such repeal or modification.

29  
30 **THIRTEENTH.** This Corporation reserves the right to amend, alter, change or repeal any  
31 provision contained in the Articles of Incorporation, in the manner now or hereafter prescribed

1 by statute, or by the Articles of Incorporation, and all rights conferred upon stockholders herein  
2 are granted subject to this reservation.

3  
4 I, **THE UNDERSIGNED**, being the Incorporator herein before names for the purpose of  
5 forming a Corporation pursuant to the General Corporation Law of the State of Nevada, do make  
6 and file these Articles of Incorporation, hereby declaring and certifying that the facts herein  
7 stated are true, and accordingly have hereunto set my hand this 18<sup>th</sup> day of *September, 2000*.

8  
9 *Jessica Schiemann*  
10 *Jessica Schiemann*

11  
12  
13 **STATE OF NEVADA** )

14 : ss.

15 **COUNTY OF WASHOE** )

16  
17 On this the 18<sup>th</sup> day of *September, 2000*, *Reno*, Nevada, before me, the undersigned, a Notary  
18 Public in and for *Reno*, State of Nevada personally appeared *Jessica Schiemann*, known to me  
19 to be the person whose name is subscribed to the foregoing document and acknowledged to me  
20 that *she* executed the same.



*Connie Hayduk*  
Notary Public

25 I, *Jessica Schiemann*, hereby accept as Resident Agent for the previously named Corporation.

26 *9/18/00*

27 Date

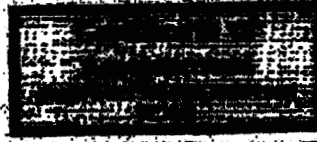
*Jessica Schiemann*  
*Jessica Schiemann*



F402-5434-B-

DEAN HELLER  
Secretary of State

101 North Carson Street, Suite 6  
Reno, NV 89501-4700  
(775) 334-8700



FILED # 275302-00

JUL 24 2001

IN THE OFFICE OF  
DEAN HELLER, SECRETARY OF STATE

**Certificate of Amendment to Articles of Incorporation**  
**For Nevada Public Corporations**  
(Pursuant to NRS 78.385 and 78.386 - After Issuance of Stock)  
- Remit in Duplicate -

1. Name of corporation: ECI Communications Corp.

2. The articles have been amended as follows (provide article numbers, if available):

See attached document  
A) change of name to ECI Communications, Inc  
B) change # of shares to 110,000,000 @ .0001  
consisting of 100,000,000 common & 10,000,000 preferred  
having par value @ .0001

3. The vote by which the stockholders holding shares in the corporation entitling them to exercise at least a majority of the voting power, or such greater proportion of the voting power as may be required in the case of a vote by classes or series, or as may be required by the provisions of the articles of incorporation have voted in favor of the amendment is: passed.

4. Signatures (Required):

Calvin Wong  
President or Vice President

[Signature]  
and Secretary or Asst. Secretary

\*If any proposed amendment would alter or change any preference or any relative or other right given to any class or series of outstanding shares, then the amendment must be approved by the vote, in addition to the affirmative vote otherwise required, of the holders of shares representing a majority of the voting power of each class or series affected by the amendment regardless of limitations or restrictions on the voting power thereof.

**IMPORTANT:** Failure to include any of the above information and remit the proper fees may cause this filing to be rejected.



### AUTHORIZED SHARE

The Corporation shall have authority to issue an aggregate of 110,000,000 shares, of which 10,000,000 shares shall be preferred stock, par value \$0.0001 (the "Preferred Stock"), and 100,000,000 shares shall be common stock, par value \$0.0001 (the "Common Stock"). The powers, preferences, and rights, and the qualifications, limitations, or restrictions of the shares of stock of each class and series which the Corporation shall be authorized to issue, are as follows:

(a) **Preferred Stock.** Shares of Preferred Stock may be issued from time to time in one or more series as may from time to time be determined by the board of directors. Each series shall be distinctly designated. All shares of any one series of the Preferred Stock shall be alike in every particular, except that there may be different times from which dividends thereon, if any, shall be cumulative, if made cumulative. The powers, preferences, participating, optional, and other rights of each such series and the qualifications, limitations, or restrictions thereof, if any, may differ from those of any and all other series at any time outstanding. Except as hereinafter provided, the board of directors of this Corporation is hereby expressly granted authority to fix by resolution or resolutions adopted prior to the issuance of any shares of each particular series of Preferred Stock, the designation, powers, preferences, and relative participating, optional, and other rights and the qualifications, limitations, and restrictions thereof, if any, of such series, including, without limiting the generality of the foregoing, the following:

(i) The distinctive designation of, and the number of shares of Preferred Stock which shall constitute each series, which number may be increased (except as otherwise fixed by the board of directors) or decreased (but not below the number of shares thereof outstanding) from time to time by action of the board of directors;

(ii) The rate and times at which, and the terms and conditions on which, dividends, if any, on the shares of the series shall be paid; the extent of preferences or relation, if any, of such dividends to the dividends payable on any other class or classes of stock of this Corporation or on any series of Preferred Stock and whether such dividends shall be cumulative or noncumulative;

(iii) The right, if any, of the holders of the shares of the same series to convert the same into, or exchange the same for, any other class or classes of stock of this Corporation and the terms and conditions of such conversion or exchange;

(iv) Whether shares of the series shall be subject to redemption and the redemption price or prices, including, without limitation, a redemption price or prices payable in shares of any other class or classes of stock of the Corporation, cash, or other property and the time or times at which, and the terms and conditions on which, shares of the series may be redeemed;

(v) The rights, if any, of the holders of shares of the series on voluntary or involuntary liquidation, merger, consolidation, distribution, or sale of assets, dissolution, or winding up of this Corporation;

(vi) The terms of the sinking fund or redemption or purchase account, if any, to be provided for shares of the series; and

(vii) The voting power, if any, of the holders of shares of the series.

(b) **Common Stock.** The Common Stock shall have the following powers, preferences, rights, qualifications, limitations, and restrictions:

(i) After the requirements with respect to preferential dividends of Preferred Stock, if any, shall have been met and after this Corporation shall comply with all the requirements, if any, with respect to the setting aside of funds as sinking funds or redemption or purchase accounts and subject further to any other conditions which may be required by the Utah Revised Business Corporation Act, then, but not otherwise,

the holders of Common Stock shall be entitled to receive such dividends, if any, as may be declared from time to time by the Board of Directors without distinction as to series;

(K) After distribution in full of any dividends amount to be distributed to the holders of Preferred Stock, if any, in the event of a voluntary or involuntary liquidation, dissolution or sale of assets, distribution or winding up of this Corporation, the holders of the Common Stock shall be entitled to receive all of the remaining assets of the Corporation, tangible and intangible, of whatever kind available for distribution to stockholders, evenly in proportion to the number of shares of Common Stock held by each without distinction as to series; and

(L) Except as may otherwise be required by law or these Articles of Incorporation, in all matters as to which the vote or consent of stockholders of the Corporation shall be required or be taken, including any vote to amend these Articles of Incorporation, to increase or decrease the par value of any class of stock, effect a stock split or combination of shares, or alter or change the powers, preferences, or special rights of any class or series of stock, the holders of the Common Stock shall have one vote per share of Common Stock on all such matters and shall not have the right to cumulate their votes for any purpose.

(c) Other Provisions.

(i) The board of directors of the Corporation shall have authority to authorize the issuance, from time to time without any vote or other action by the stockholders, of any or all shares of this Corporation of any class at any time authorized, and any securities convertible into or exchangeable for such shares, in each case to such persons and for such consideration and on such terms as the board of directors from time to time in its discretion lawfully may determine; provided, however, that the consideration for the issuance of shares of stock of the Corporation having par value shall not be less than such par value. Shares so issued, for which the full consideration determined by the board of directors has been paid to the Corporation, shall be fully paid stock, and the holders of such stock shall not be liable for any further call or assessments thereon.

(ii) Unless otherwise provided in the resolution of the board of directors providing for the issue of any series of Preferred Stock, no holder of shares of any class of the Corporation or of any security or obligation convertible into, or of any warrant, option, or right to purchase, subscribe for, or otherwise acquire, shares of any class of the Corporation, whether now or hereafter authorized, shall, as such holder, have any presumptive right whatsoever to purchase, subscribe for, or otherwise acquire shares of any class of the Corporation, whether now or hereafter authorized.

(iii) Anything herein contained to the contrary notwithstanding, any and all right, title, interest, and claim in and to any dividends declared or other distributions made by the Corporation, whether in cash, stock, or otherwise, which are unclaimed by the stockholder entitled thereto for a period of six years after the close of business on the payment date, shall be and be deemed to be extinguished and abandoned; and such unclaimed dividends or other distributions in the possession of the Corporation, its transfer agents, or other agents or depositories, shall at such time become the absolute property of the Corporation, free and clear of any and all claims of any person whatsoever.

**ECI Communications, Inc.**

**ARIZONA CORPORATION COMMISSION**

**CC&N APPLICATION**

**ATTACHMENT B**

**PROPOSED TARIFF**

WILLIAM A. MUNDELL  
CHAIRMAN

JIM IRVIN  
COMMISSIONER

MARC SPITZER  
COMMISSIONER



ARIZONA CORPORATION COMMISSION

BRIAN C. MCNEIL  
EXECUTIVE SECRETARY

JOANNE C. MACDONNELL  
DIRECTOR, CORPORATIONS DIVISION

CAPITOL DOCUMENT SERVICES INC.  
P.O. BOX 13461  
PHOENIX, AZ 85002

RE: E.C.I. COMMUNICATIONS, INC.  
File Number: F-1007686-9

We are pleased to notify you that your Application for Authority to transact business in Arizona was approved and filed on November 2, 2001.

You must publish a copy of your Application for Authority. The publication must be in a newspaper of general circulation in the county of the known place of business in Arizona, as filled with the Commission for three (3) consecutive publications. An affidavit from the newspaper, evidencing such publication, must be delivered to the Commission for filing WITHIN NINETY (90) DAYS from the File Date.

All corporations transacting business in Arizona are required to file an Annual Report with the Commission, on the anniversary of the date of incorporation. Each year, a preprinted Annual Report form will be mailed to the corporation's known place of business approximately two months prior to the due date of the report. Should the report fail to arrive, contact the Commission. It is imperative that corporations notify the Commission immediately (in writing) if they change their corporate address, statutory agent or agent address. Address change orders must be executed (signed) by a corporate officer. Postal forwarding orders are not sufficient.

The Commission strongly recommends that you periodically check Commission records regarding the corporation. The Commission web site [www.cc.state.az.us/corp](http://www.cc.state.az.us/corp) contains information specific to each corporation of record and is a good general source of information.

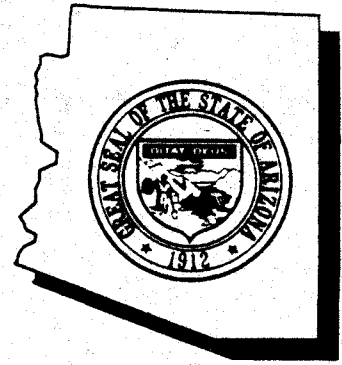
If you have any questions or need further information, please contact us at (602) 542-3135 in Phoenix, (520) 628-6560 in Tucson, or Toll Free (Arizona residents only) at 1-800-345-5819.

Sincerely,  
MARY FLOREZ-GASTELO  
Examiner  
Corporations Division

CF:07, Rev: 10/2001

# STATE OF ARIZONA

## Department of State



### TRADE NAME CERTIFICATION

#### ITS NETWORK SERVICES

I, Betsey Bayless, Secretary of State, do hereby certify that in accordance with the Trade Name Application filed in this Office, the Trade Name herein certified has been duly registered pursuant to Section 44-1460, Arizona Revised Statutes, in behalf of:

ECI COMMUNICATIONS INC.  
7108 N FRESNO AVE #300  
FRESNO CA 93720-

11/6/01 Application

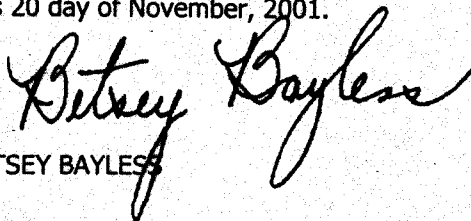
Registration Date: 11/06/2001

Expiration Date: 11/6/06

Date First Used: 12/26/01

Trade Name No.: 258142

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the Great Seal of the State of Arizona. Done at Phoenix, the capitol, this 20 day of November, 2001.

  
BETSEY BAYLESS

ECI Communications, Inc.  
d/b/a ITS Network Services, Inc.

A.C.C. Tariff No.1  
Page 1, Original

Issued: January 4, 2002

Effective:

Interexchange Services Tariff

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**ECI COMMUNICATIONS, INC.**  
**d/b/a ITS Network Services, Inc.**

**THIS TARIFF CONTAINS THE**

**REGULATIONS AND RATES APPLICABLE TO THE PROVISION**

**OF COMPETITIVE INTEREXCHANGE TELECOMMUNICATIONS SERVICES**

**WITHIN THE STATE OF ARIZONA**



Issued: January 4, 2002

Effective:

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**CHECK PAGE**

All of the pages of this Tariff are effective as of the date shown at the top of the page. Original and revised pages as named below comprise all changes from the original Tariff.

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**CONCURRING, CONNECTING OR  
OTHER PARTICIPATING CARRIERS**

None

**SYMBOLS**

The following are the only symbols used for the purposes indicated below:

- D - Delete Or Discontinue
- I - Change Resulting In An Increase To A Customer's Bill
- M - Moved To Or From Another Tariff Location
- N - New
- R - Change Resulting In A Reduction To A Customer's Bill
- T - Change In Text Or Regulation But No Change In Rate Or Charge

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**TARIFF FORMAT**

- A. Page Numbering - Page numbers appear in the upper right corner of the page. Pages are numbered sequentially. However, new pages are occasionally added to the Tariff. When a new page is added between pages already in effect, a decimal is added. For example, a new page added between pages 14 and 15 would be 14.1.
- B. Page Revision Numbers - Revision numbers also appear in the upper right corner of each page. These numbers are used to determine the most current page version on file with the Commission. For example, the 4th revised page 14 cancels the 3rd revised page 14.
- C. Paragraph Numbering Sequence - There are six levels of paragraph coding. Each level of coding is subservient to its next higher level:
  - 2.1
  - 2.1.1
  - 2.1.1 (A)
  - 2.1.1 (A).1
  - 2.1.1 (A).1.a
  - 2.1.1 (A).1.a.i
- D. Check Pages - When a Tariff filing is made with the Commission, an updated check page accompanies the Tariff filing. The check page lists the pages contained in the Tariff with a cross-reference to the current revision number. When new pages are added, the check page is changed to reflect the revision.

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**SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS**

**A.C.C.:** A.C.C. stands for the Arizona Corporation Commission.

**Authorized User:** A person, firm or corporation, who is authorized by the Customer/Subscriber to utilize the services of the Customer/Subscriber.

**Business Customer:** A Business Customer is a Customer who subscribes to the Company's service(s) in the name of business, trade, or profession and/or primarily uses the service for business purposes.

**Company:** Company refers to ECI Communications, Inc. d/b/a ITS Network Services, Inc.

**Commission:** Commission refers to the Arizona Corporation Commission or any succeeding agency.

**Customer:** The Customer is a person or legal entity which uses or subscribes to the Company's services and thereby assumes responsibility for the payment of charges and compliance with the Company's Tariff regulations.

**DUC:** DUC stands for any Designated Underlying Carrier used by the Company.

**End User:** End User is the person or legal entity which uses the service provided by the Company.

**Initial and Additional Period:** The Initial Period denotes the interval of time allowed at the rate specified for a connection between given service points. The Additional Period denotes the interval of time used for measuring and charging time in excess of the Initial Period.

**LEC:** LEC stands for Local Exchange Carrier.

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**SECTION 1 - TECHNICAL TERMS AND ABBREVIATIONS**

**MRC:** Monthly Recurring Charge

**State:** "State" refers to the State of Arizona.

**Subscriber:** The Subscriber is a person or legal entity which subscribes to or dials the Company's services and thereby assumes responsibility for the payment of charges and compliance with the Company's Tariff regulations.

**Switched Access:** A method of reaching the Company through the local switched network whereby the End User uses standard business or residential local lines.

**Underlying Carrier:** "Underlying Carrier" refers to any interexchange carrier that provides long distance services resold by the Company pursuant to this Tariff.

**U.S.F.:** U.S.F. stands for Universal Service Fund.



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**SECTION 2 - RULES AND REGULATIONS**

**2.1 Undertaking of the Company**

- 2.1.1 This tariff contains the regulations and rates applicable to intrastate resale telecommunications services provided by Company for telecommunications between points within the State. The Company's services are furnished subject to the availability of facilities and subject to the terms and conditions of this tariff.
- 2.1.2 Company's services are not part of a joint undertaking with any other entity providing telecommunications channels, facilities or services, but do involve the resale of the Message Toll Services (MTS), switch network services, private lines and Wide Area Telecommunications Services (WATS) of underlying common carriers.
- 2.1.3 The rates and regulations contained in this tariff apply only to the services furnished by Company and do not apply, unless otherwise specified, to the lines, facilities, or services provided by a local exchange telephone company or other common carrier for use in accessing the services of Company.
- 2.1.4 The Subscriber is entitled to limit the use of Company's services by Users at the Subscriber's facilities, and may use other common carriers in addition to or in lieu of Company.

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**SECTION 2 - RULES AND REGULATIONS**

**2.2 Limitations On Service**

- 2.2.1 Service is offered by the Company subject to the availability of necessary facilities, equipment and/or billing arrangements with the DUC and/or LEC. Necessary facilities and equipment may include but is not limited to facilities or equipment to be provided by Company, connecting carriers, underlying carriers, owners and operators of transmission capacity leased to Company or the LEC.
- 2.2.2 The Company reserves the right to discontinue service without liability, or to limit the use of service when necessitated by conditions beyond the Company's control, or when the Customer is using service in violation of the law or in violation of the provisions of this Tariff.
- 2.2.3 The Company may undertake to use reasonable efforts to make available services to a customer on or before a particular date, subject to the provisions of and compliance by the Customer with the regulations contained in this tariff. The Company does not guarantee availability by any such date and shall not be liable for any delays in commencing services to any Customer.

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**SECTION 2 - RULES AND REGULATIONS**

**2.2 Limitations On Service (continued)**

**2.2.3** Conditions under which the Company may, without notice, terminate service without liability include, but are not limited to:

- (A) The existence of an obvious hazard to safety or health of the Customer or the general population or the Company's personnel or the DUC's facilities.
- (B) The Company has evidence of tampering or evidence of fraud.

The Company is not required to restore Service until the conditions which resulted in the termination of Service have been corrected to the satisfaction of the Company.

The Company will maintain a record of all terminations of Service without notice. This record will be maintained for a minimum of one (1) year and will be available to inspection by the Commission.

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**SECTION 2 - RULES AND REGULATIONS**

**2.2 Limitations On Service (continued)**

2.2.4 Conditions under which the Company may, with notice, terminate service without liability include, but are not limited to:

- (A) Customer violation of any of the Company's Tariffs filed with the Commission and/or violation of the Commission's rules and regulations.
- (B) Failure of the Customer to pay a bill for Service.
- (C) Failure too meet or maintain the Company's credit and deposit requirements.
- (D) Customer breach of contract for Service between the Company and Customer.
- (E) When necessity for the Company to comply with an order of any governmental agency having such jurisdiction.

2.2.5 Initial and continuing service is offered subject to the availability of necessary facilities, billing services, and/or equipment, including those to be provided by the DUC(s), the Company, the CAP(s), or the LEC.

2.2.6 Service is furnished subject to the condition that there will be no abuse or fraudulent use of the service. Abuse or fraudulent use of service includes, but is not limited to:

- (A) Use of service of the Company for a message or messages, anonymous or otherwise, if in a manner reasonably to be expected to frighten, abuse, torment, or harass another; or
- (B) Use of service in such a manner as to interfere unreasonably with the use of service by one or more other Customers; or
- (C) Any calls placed by means of illegal equipment, service, or device.

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**SECTION 2 - RULES AND REGULATIONS**

**2.2 Limitations On Service (continued)**

- 2.2.7 The Company's failure to give notice of default, to enforce or insist upon compliance with any of the terms or conditions herein, to grant a waiver of any term or conditions herein, or to grant the Customer an extension of time for performance, will not constitute the permanent waiver of any such term or condition herein. Each of the provisions will remain, at all time, in full force and in effect until modified in writing, signed by the Company and Customer.
- 2.2.8 To control fraud, service may be discontinued by the Company without incurring liability by blocking all traffic or by blocking traffic to or from certain NPA-NXXs, cities, or individual telephone stations for any service offered under this Tariff. Service will be restored at Company's option as soon as it can be provided without undue risk and only after accounts have been brought current.
- 2.2.9 The Company reserves the right to change DUCs at any time.

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**SECTION 2 - RULES AND REGULATIONS**

2.2.10 The Company reserves the right, without incurring liability, to refuse to provide Service, to or from any location where the necessary facilities, equipment, systems, and/or switch software are not available or if any of the following conditions exists:

- The applicant has an outstanding amount due for similar Services and the Applicant is unwilling to make acceptable arrangements with the Company for payment.
- A condition exists which in the Company's judgment is unsafe or hazardous to the Applicant, the general population, or the Company's or DUC's personnel or the DUC's facilities.
- Refusal by the Applicant to provide the Company with a deposit when the Customer has failed to meet the credit criteria for waiver of deposit requirements.
- Customer is known to be in violation of the Company's Tariff filed with the Commission.
- Applicant falsifies his or her identity for the purpose of obtaining Service.

2.2.11 The Customer obtains no property right or interest in any specific type of facility, service, connection, equipment, number process or code. All right, title and interests to such items remain, at all times, solely with the Company.

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**SECTION 2 - RULES AND REGULATIONS**

**2.2 Limitations of Services (continued)**

- 2.2.12 The Company will accept a Customer's or Applicant's request for a particular toll free telephone number. The Company will accommodate such requests to the extent possible. No guarantee of the assignment of the toll free number will be made prior to the initiation of Service to the Customer. Assignment of the toll free telephone number to the Customer does not provide the Customer with any ownership interest or proprietary right in that number. However, the Customer does have a controlling interest in its active toll free number. If the Company learns that an Applicant is attempting to sell, barter, trade, or otherwise transfer an toll free number to another person, the Company may refuse to establish Service. If a Customer's toll free telephone number is not used by callers other than for test calls to reach the Customer or Customer's designee within ninety (90) days of activation of the toll free number, the Company, may upon written notice, discontinue Service.
- 2.2.14 The availability of toll-free numbers from the Company is limited by the Company's ability to obtain toll-free numbers from the DUC and/or the 800 SMS Database.
- 2.2.15 If a Customer accumulates past-due charges, the Company reserves the right not to honor the Customer's request for a change in inbound service to another carrier (e.g. "porting" of the toll-free number), including a request for a Responsible Organization (Resp. Org.) change, until such time as all charges are paid in full and all disputes, if any, resolved.
- 2.2.16 The Company reserves the right to refuse to process calls when the Authorization Code or PIN cannot be validated.

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**SECTION 2 - RULES AND REGULATIONS**

**2.3 Limitation of Liability**

The Company's liability will be limited to that expressly assumed in Paragraphs 2.3.1 through 2.3.9 of this Tariff and that arises in connection with the provision of service to Customer.

**2.3.1 The Company will not be liable for:**

- (A) Any act or omission of any other company or companies furnishing a portion of the service or furnishing facilities or equipment associated with such service.
- (B) Damages caused by the fault or negligence or misconduct of the Customer.
- (C) Any failure to provide or maintain service under this Tariff due to circumstances beyond the Company's reasonable control.
- (D) Any direct, indirect, consequential, special, actual, or punitive damages, or for any lost profits of any kind or nature whatsoever arising out of any furnishing of, or interruption in, service provided hereunder, absent a determination of willful misconduct by the Company through judicial or administrative proceedings.



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**SECTION 2 - RULES AND REGULATIONS**

**2.3 Limitation of Liability (continued)**

**2.3.1 (continued)**

- (E) Any special or consequential damages or any lost profits of any kind or nature arising out of the furnishing of or interruption in service contained in this Tariff.
- (F) The use or abuse of any service described herein by any party including, but not limited to, the Customer's employees or members of the public. "Use or abuse" includes, but is not limited to, any calls placed by means of PBX-reorigination or any other legal or illegal equipment, service, or device. In the case of toll free service, this also applies to third parties who dial the Customer's toll free number by mistake.
- (G) Any action, such as blocking or refusal to accept certain calls, that Company deems necessary in order to prevent fraudulent or unlawful use of its service. Compensation for any injury the Customer may suffer due to the fault of parties other than the Company must be sought from such other parties. The liability provided for above, will, in each case, be in addition to any amounts that may otherwise be due the Customer under this Tariff as a credit allowance for the interruption of service.

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**SECTION 2 - RULES AND REGULATIONS**

**2.3 Limitation of Liability (continued)**

- 2.3.2 Interruptions, delays, errors, or defects caused by or contributed to, directly or indirectly, by act or omission of Customer or its customers, affiliates, agents, contractors, representatives, invitees, licensees, successors, or assignees or which arise from or are caused by the use of facilities or equipment of Customer or related parties, will not result in the imposition of any liability whatsoever upon the Company. In addition, all of the service may be provided over facilities of third parties, and the Company will not be liable to Customer or any other person, firm, or entity in any respect whatsoever arising out of defects caused by such third parties.
- 2.3.3 With respect to service provided hereunder, the Company hereby expressly disclaims, without limitation, all warranties not stated in this Tariff, whether express, implied or statutory, and in particular disclaims all implied warranties of merchantability and of fitness for a particular purpose.
- 2.3.4 The Company may rely on CAPS, LECs, DUCs, or other third parties to provide all or any portion of the Company's service.
- 2.3.5 No contractors, agents or employees of connecting, concurring or other participating carriers or companies will be deemed to be contractors, agents or employees of the Company without the Company's written authorization.
- 2.3.6 Under no circumstances whatsoever will the Company or its officers, agents, or employees be liable for indirect, incidental, special or consequential damages.

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**SECTION 2 - RULES AND REGULATIONS**

**2.3 Limitation of Liability (continued)**

2.3.7 The Company will not be liable for any failure of performance hereunder due to causes beyond its control including, but not limited to:

- (A) Unavoidable interruption in the working of transmission facilities; or
- (B) Natural disasters such as storms, fire, flood, or other catastrophes; or
- (C) Any law, order, regulation, direction, action or request of the United States Government, or any other governmental entity having jurisdiction over the Company or of any department, agency, commission, bureau, corporation or other instrumentality of any one or more of such governmental entity, or of any civil or military authority; or
- (D) National emergencies, insurrections, riots, rebellions, wars, strikes, lockouts, work stoppages, or other labor difficulties; or
- (E) Notwithstanding anything in this Tariff to the contrary, the unlawful acts of individuals, including acts of the Company's agents and employees if committed beyond the scope of their employment.

2.3.8 In the event the Company or the DUC learn of possible fraudulent use of any Company services, the Company will make an effort to contact the Customer, but service may be terminated or blocked without notice and without liability to the Company.

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**SECTION 2 - RULES AND REGULATIONS**

**2.3 Limitation of Liability (continued)**

- 2.3.9 The Company will use its best efforts to provide competent services consistent with industry standards. The Company will have no liability to the Customer for any loss of revenue or any other direct, special, incidental, consequential, or other damages the Customer may sustain resulting from the failure or inability of the Company to provide service to its Customers, Cardholders, Subscribers, or End Users; negligent or defective services to Customers, Cardholders, Subscribers, or End Users; equipment, computer, network, or electrical malfunctions or any kind, breakdowns, or outages; or any other cause, whether or not within the control of the Company.

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**SECTION 2 - RULES AND REGULATIONS**

**2.4 Use of Service**

- 2.4.1 The service offered herein may be used for any lawful purpose, including residential, business, governmental, or other use. There are no restrictions on sharing of service. However, the Customer remains liable for all obligations under this Tariff notwithstanding such sharing and regardless of the Company's knowledge of same. The Company will have no liability to any person or entity other than the Customer and only as set forth herein. The Customer will not use nor permit others to use the service in a manner that could interfere with service provided to others or that could harm the facilities of the Company or others.
- 2.4.3 Service furnished by the Company will not be used for any unlawful or fraudulent purposes such as use of electronic devices, invalid numbers, and false credit devices to avoid payment for service contained in this Tariff either in whole or in part. Service furnished by the Company will not be used to make calls which might reasonably be expected to frighten, abuse, torment, or harass another. Nor will service be used for any purpose for which any payment or other compensation is received by the Customer except when the Customer is a communications common carrier, a resale common carrier, or an enhanced or electronic service provider who has subscribed to the Company's service. However, this provision does not preclude an agreement between the Customer, authorized user, or joint user to share the cost of the service as long as this arrangement generates no profit for anyone participating in a joint use or authorized use arrangement.
- 2.4.4 The Company does not transmit messages pursuant to this tariff, but its services may be used for that purpose.

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**SECTION 2 - RULES AND REGULATIONS**

**2.5 Obligations of the Customer**

2.5.1 The Customer will indemnify, defend, and hold the Company harmless from and against:

- (A) Any claim asserted against the Company (and all attorney fees and expenses incurred by the Company with respect thereto) arising out of or relating to the failure of the Company to provide service to Customers, Cardholders, or End Users.
- (B) Any and all liabilities, costs, damages, and expenses (including attorney's fees), resulting (1) from Customer (or its employees's agent's or independent contractor's) actions hereunder, including, but not limited to breach of any provision in this Tariff, misrepresentation of Company services or prices, or unauthorized or illegal acts of the Customer, its employees, agents, or independent contractor.
- (C) Claims for libel, slander, infringement of patent or copyright, or unauthorized use of any trademark, trade name, or service mark arising out of Customer's material, data, information, or other content transmitted via service.
- (D) Violation by Customer of any other literary, intellectual, artistic, dramatic, or musical right.
- (E) Violations by Customer of the right to privacy.

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**SECTION 2 - RULES AND REGULATIONS**

2.5 Obligations of the Customer (continued)

2.5.1 (continued)

- (F) Any other claims whatsoever relating to or arising from message content or the transmission thereof.
- (G) All other claims arising out of any act or omission of the Customer in connection with service provided by the Company.
- (H) Any loss, claim, demand, suit, or other action, or any liability whatsoever, whether suffered, made, instituted or asserted by the Customer or by any other party or persons, for any personal injury to, or death of, any person or persons, and for any loss, damage or destruction of any property, whether owned by the Customer or others, caused or claimed to have been caused directly or indirectly by the provision of service, where such loss, claim, demand, suit, action, or liability is not the direct result of the Company's negligence or willful misconduct.

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**SECTION 2 - RULES AND REGULATIONS**

**2.5 Obligations of the Customer (continued)**

2.5.2 If a Customer directly or indirectly authorizes third parties to use the service, the Customer will indemnify and hold the Company harmless against any and all claims, demands, suits, actions, losses, damages, assessments or payments which may be asserted or demanded by said parties.

2.5.3 The Subscriber is responsible for the payment of charges for all calls originated at the Subscriber's telephone numbers, PIN, Authorization Code or card numbers which are not collect, third party, calling card, or credit card calls.

**2.6 Application For Service**

To obtain Service, the Company requires the Customer to provide the Company with whatever authorization the Company deems appropriate and that complies with the rules of the Commission. Upon the Company's acceptance of this authorization, all applicable provisions in the Company's Tariff, as amended from time-to-time, become the agreement for Service between the Company and the Customer. Acceptance or use of Service offered by the Company shall be deemed an application for such Service and an agreement by the Customer to subscribe to, use, and pay for such Service in accordance with this Tariff. The Applicant may be required to establish credit satisfactory to the Company as provided in Paragraph 2.7.



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**SECTION 2 - RULES AND REGULATIONS**

**2.7 Establishment of Credit**

**2.7.1 Applicant**

For all services, the Company reserves the right to require all Applicants to establish credit worthiness to the reasonable satisfaction of the Company. Upon receipt of the signed application, the Applicant will be deemed to have authorized the Company to obtain such routine credit information and verification as the Company requires. In the case of a business Customer, the Company may, at its discretion, require personal guarantees from the Customer's owners or officers of all Customer's liabilities and obligations to the Company.

**2.7.2 Customer**

If the conditions of services or the basis on which credit was originally established have materially changed, an existing Customer may be required to establish additional credit. The Company reserves the right to examine the credit record and check the references of any Customer at any time.

**2.8 Customer Deposits**

The Company does not collect deposits for services in this Tariff.

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**SECTION 2 - RULES AND REGULATIONS**

**2.9 Payment For Services**

**2.9.1 General**

The billing period is one month. Invoices are sent to the Customer's current billing address no later than forty-five (45) days following the close of billing. Charges may be assessed for unbilled traffic up to two years in arrears.

**2.9.2 Methods Of Payment**

- (A) Mailed bills are sent to the current billing address no later than forty-five (45) days following the close of billing. Call detail may be included with the bill at the Customer's option. The due date is disclosed on the bill. Payment in full is due within Fifteen (15) days of the invoice date on the bill. Charges are payable only in United States currency. Payment may be made by cash, check, money order, cashier's check, electronic wire transfer, or by automatic withdrawal from Customer's checking or savings account. Customer may also pay via Credit Card. Checks should be made payable as named on the bill and should be sent to the address as listed on the bill.

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**SECTION 2 - RULES AND REGULATIONS**

2.9 Payment For Services (continued)

2.9.2 Method Of Payment (continued)

- (B) Customers who choose the E-Billing option will have their bills available no later than thirty (30) days following the close of billing. Call detail is included with the bill.
- (C) With Credit Card billing, the charges for services provided by the Company are billed on the Customer's designated and approved Credit Card bill. Charges are billed monthly in accordance with the terms and conditions between the Customer and the Customer's designated Credit Card company. If the charge is rejected by the Customer's credit card company, the Customer is called and another card, or correction in expiration date, etc. is requested, or information for another credit card. If not, a payment by check is requested. Late charges are applied (if applicable). If paid by E-Bill – Customer sees immediately that the card did not clear and can make his own corrections an/or use a different card.
- (D) If the Customer utilizes electronic fund transfer, Customer arranges for the charges for services provided by the Company to be transferred from the Customer's designated checking or saving account into the Company's bank account designated by the Company for this purpose.
- (E) If the bill is not paid within thirty (30) days from the invoice date, the Company may impose a late charge of 1.5% per month on the delinquent amount.

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**SECTION 2 - RULES AND REGULATIONS**

**2.9 Payment For Services (continued)**

**2.9.3 Past Due Payments**

In the event the Company incurs fees or expenses, including attorney's fees, in collecting, or attempting to collect, any charges owed the Company, the Customer will be liable to the Company for the payment of all such fees and expenses reasonably incurred.

**2.9.4 Billing Disputes**

Billing disputes are handled by the Company's customer service organization. See Section 2.10. of this Tariff. If the Customer is not satisfied with the Company's resolution of a billing inquiry or a billing dispute, the Customer may make application to the Commission for review and disposition of the matter.

**2.9.5 Right to Backbill for Improper Use of Company's Services**

Any person or entity which uses, appropriates or secures the use of Services from the Company, whether directly or indirectly, in any unlawful manner or through the providing of any misleading or false information to Company and which use, appropriation, or securing of Services is inconsistent with the stated uses, intents, and purposes of this Tariff or any restriction, conditions, and limitations stated herein, shall be liable for an amount equal to the accrued and unpaid charges that would have been applicable to the use of Company's Services actually made by Customer. In addition, Company shall be entitled to recover an amount equal to a late payment fee of 1.5% per month for the period(s) for which such charges would have been payable.

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**SECTION 2 - RULES AND REGULATIONS**

**2.10 Customer Service**

**2.10.1 General**

Customer service may be contacted in writing at the address shown on the bill. Customers may contact customer service by dialing a toll-free number listed on the bill. Customer service representatives are available 8:00 AM to 5:00 PM Pacific time Monday through Friday. After hours, the Customer may reach a Company representative for service problems.

**2.10.2 Billing Inquiries**

Billing inquiries must be submitted to the Company in writing. If the Customer is not satisfied with the Company's resolution of a billing inquiry, the Customer may make application to the Commission for review and disposition of the matter.

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**SECTION 2 - RULES AND REGULATIONS**

**2.11 Cancellation By Company**

The Company may terminate service to the Customer upon ten (10) days' written notice to the Customer for any condition listed in Paragraph 2.2.4. If the Company delivers the notice to the Customer's premises, it will be left in a conspicuous place. When notice is mailed, the notice will be addressed to the Customer's last known address and mailed first class or some type of express over night delivery. The selection of the method of delivering the notice is made by the Company.

The discontinuance of service(s) by the Company pursuant to this section does not relieve the Customer of any obligations to pay the Company for charges due and owing for Service(s) furnished up to the time of discontinuance. The remedies set forth herein will not be exclusive and the Company will at all times be entitled to all rights available to it under either law or equity.

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**SECTION 2 - RULES AND REGULATIONS**

**2.12 Cancellation By Customer**

**2.12.1 General**

Customers may cancel service by giving a written or verbal notice to the Company's authorized representative. The Company places an order with the Underlying Carrier to cancel the Customer's service(s). The Underlying Carrier blocks the service within five (5) to seven (7) days after the cancellation order is received. The Customer is liable for all usage incurred until the service is canceled.

**2.12.2 Customers With Switched Access**

Customers with Switched Access must contact their LEC to change their primary interexchange carrier ("PIC") code to the IXC of their choice. The Customer's service is canceled when the LEC changes the Primary Interexchange Carrier (PIC) code to a different IXC or when the Underlying Carrier cancels the service offered by the Company.

**2.12.3 Customers With Dedicated Access**

The Customer's service is canceled when the DUC cancels the service offered by the Company or when the Dedicated Access is moved to another DUC.

**2.12.4 Customers With Term Plans**

If the Customer cancels service obtained under a term plan prior to the expiration of the term plan the cancellation penalty is equal to 75% of the average monthly usage times the number of remaining months in the term plan.

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**SECTION 2 - RULES AND REGULATIONS**

**2.13 Timing of Calls**

Timing of calls begins when the called party answers the call (i.e. when two way communications are established.) Answer detection is based on standard industry answer detection methods including hardware answer supervision provided by the DUC and software answer detection. Chargeable time ends when one of the parties disconnects from the call.



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**SECTION 2 - RULES AND REGULATIONS**

**2.14 Initial and Additional Period**

Calls are billed in various increments depending on the service subscribed to by the Customer. For all services, fractions of an increment are rounded up to the next highest increment. Initial period is 60 seconds and additional periods are 60 seconds unless stated otherwise in Section 3 - Description Of Services of this tariff.

**2.15 Rounding**

2.15.1 All calls are billed in the billing increments as set forth in the description for each service. Calls that terminate between increments will be rounded to the next highest increment. For example, a call with a six second increment lasting 52 seconds will be rounded to 54 seconds(.9 min.).

2.15.2 Once the call duration, in billing increments is computed, the appropriate per minute charges, as listed in the rate schedules will be applied to the call. Calls with charges that include a fraction of a cent will be rounded to the next highest cent. For example, a Customer making a call with a computed charge of \$1.434 will be charged \$1.44.

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**SECTION 2 - RULES AND REGULATIONS**

**2.16 Taxes and Assessments**

- 2.16.1 In addition to the charges specifically pertaining to the Services, certain federal, state, and local surcharges, taxes, gross receipts, and fees will be applied to these Services. These taxes, surcharges, and fees are calculated based upon the amount billed to the End User for Service(s). All federal, state, and local taxes, surcharges, and fees (i.e., sales tax, gross receipts tax, municipal utilities tax, etc.) are listed on the Customer's invoices, and unless otherwise specified herein, are not included in the rates listed in this Tariff.
- 2.16.2 Unless otherwise specified herein, all stated charges in this Tariff are computed by the Company exclusive of any assessments, duties, fees, surcharges, taxes, or similar liabilities levied against the Company by governmental, quasi-governmental, or other entities such as federal, state, or local government. Such assessments, duties, fees, surcharges, taxes, or similar liabilities shall be paid by the Customer in addition to the charges stated in this Tariff. All such charges shall be shown as a separate line item on the Customer's bill.
- 2.16.3 Pending the conclusion of any litigation challenging a jurisdiction's or body's right to impose any assessments, duties, fees, surcharges, taxes, or similar liabilities, the Company may elect to waive or impose and collect a charge covering such assessments, duties, fees, surcharges, taxes, or similar liabilities, unless otherwise constrained by court order or direction. All such charges will be shown as a separate line item on the Customer's bill. If the Company has collected any assessments, duties, fees, surcharges, taxes, or similar liabilities and any of the challenged assessments, duties, fees, surcharges, taxes, or similar liabilities are found to have been invalid and not enforceable, the Company will credit or refund such sums to each affected Customer if (1) the Company has retained such funds or (2) the Company has remitted such funds to the collecting jurisdiction or body and the funds have been returned to the Company.

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**SECTION 2 - RULES AND REGULATIONS**

**2.16 Taxes and Assessments (continued)**

- 2.16.4 In order to be granted exemption status, a Customer claiming exempt status must provide the Company with copies of all relevant exemption certificates and documents required by the Company. New Customers are required to provide the requested documentation at the time Service is ordered. Failure to provide the required documentation at the time Service is ordered will result in all assessments, duties, fees, surcharges, taxes, or similar liabilities (as described in Section 2.16.1 of this Tariff) being levied by the Company on the Customer's Service. The Customer will be responsible for the payment of all such charges.
- 2.16.5 Failure to provide the required documentation at the time Service is ordered will also result in all taxes as noted herein being levied by the Company on the Customer's Service, and the Customer will be responsible for the payment of all such charges. At the Company's option, the Company may accord the Customer tax exempt status upon receipt of the required documentation after Service is ordered. However, the Customer will be billed for all applicable taxes and responsible for the payment of same until such time as the Company has ceased billing the applicable taxes. The Customer will also be billed for all applicable assessments, duties, fees, surcharges, or similar liabilities as described in Section 2.16.1 of this Tariff. The Company is not liable for refunding the amount of the taxes paid the Customer. The Customer is responsible for seeking refunds for such taxes from the appropriate taxing authority. Failure to pay the appropriate taxes prior to tax exempt status being accorded by the Company will result in termination of Service.
- 2.16.6 Failure to pay the appropriate assessments, duties, fees, surcharges, taxes, or similar liabilities prior to exempt status being accorded by the Company will result in termination of Service.

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**SECTION 2 - RULES AND REGULATIONS**

**2.17 Interruption of Service**

**2.17.1 General**

It is the obligation of the Customer to notify the Company of any interruption in Service for which a credit allowance is desired. Before giving such notice, the Customer will ascertain that the interruption is not being caused by any action or omission by the Customer within his control, or is not in wiring or equipment, if any, furnished by the Customer.

**2.17.2 All Usage Sensitive Services**

Credit allowances for the interruption of usage-sensitive Services will be limited to the applicable initial period charge for the call interrupted, subject to the limitation of liability provision set forth in Section 2.3 of this Tariff.

**2.17.3 Monthly Recurring Charges**

No credit for monthly recurring charges will be issued for outages less than twenty-four consecutive hours in duration. For Customers with Service subject to a monthly recurring charge, Service interruptions of greater than twenty-four (24) consecutive hours duration will receive a credit equal to the number of hours of Service interruption divided by 720 hours times the monthly recurring charge for the Service.

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**SECTION 2 - RULES AND REGULATIONS**

**2.18 Restoration of Services**

The use and restoration of services in emergencies will be in accordance with the priority system specified in Part 64, Subpart D of the rules and regulations of the Federal Communications Commission.

**2.19 Promotional Offerings**

The Company may, from time-to-time, engage in special promotional service offerings designed to attract new Customers or to increase existing Customer's awareness of a particular service offering. These promotional offerings may apply only to certain service arrangements, and may be limited to certain dates, times, and/or locations.

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**SECTION 3 - DESCRIPTION OF SERVICES**

**3.1 Outbound Services**

**3.1.1 General**

Unless otherwise stated in the Tariff, the method of provisioning a specific Outbound Service is determined by the Company, and the selection of the DUC is made by the Company. Switched Access outbound Services are only available in equal access areas. All outbound Services are interstate Services with the Customer having the option to use the Service to place intrastate calls. For the purpose of the selection of the Service and associated billing plan, the Service and billing plan selected at the time of the order is provisioned will remain in effect until requested to be changed by the Customer.

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**SECTION 3 - DESCRIPTION OF SERVICES**

**3.1 Outbound Services (continued)**

**3.1.2 Switched Access**

**(A) ITS LocalNet Service**

ITS One Plus Service is a long distance pricing plan available to Residential and Business Customers that utilize Switched Access to reach the long distance network and subscribe a minimum of one line to this Service. There is no minimum monthly usage commitment for this service. The initial period is eighteen seconds (18) or fraction thereof and the additional period is each six seconds (6) or fraction thereof.

**(B) ITS LocalNet Plus E-Bill**

ITS One Plus E-Bill is a long distance pricing plan available to Residential and Business Customers that utilize Switched Access to reach the long distance network and subscribe a minimum of one line to this Service. There is no minimum monthly usage commitment for this service. The initial period is eighteen seconds (18) or fraction thereof and the additional period is each six seconds (6) or fraction thereof. The Customer's bill and bill detail will be provided via the internet.

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**SECTION 3 - DESCRIPTION OF SERVICES**

**3.1 Outbound Services (continued)**

**3.1.3 Dedicated Access**

**(A) InTouch Direct**

ITS Direct is an outbound only, long distance pricing plan for businesses that utilize Dedicated Access to reach the POP of the underlying carrier. Intrastate service is only available to business Customers subscribing to the Company's interstate service. The initial period is eighteen seconds (18) or fraction thereof and the additional period is each six seconds (6) or fraction thereof. This service requires a term plan agreement of one (1), two (2), or three (3) years. The Customer is responsible for all charges and equipment required to deliver traffic between the Customers premises and the POP of the underlying carrier.



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**SECTION 3 - DESCRIPTION OF SERVICES**

**3.2 InTouch Inbound**

**3.2.1 General**

Inbound Service permits calls to be completed to the Customer's location without charge to the calling party. Access to the Service is gained by dialing a ten digit telephone number, (Toll Free Prefix) NXX-XXXX, which terminates at the Customer's location or other telephone number as requested by customer.

**3.2.2 Switched Access**

**(A) ITS Toll Free Service**

ITS Toll Service is an inbound long distance pricing plan available to Residential and Business Customers that utilize Switched Access to reach the long distance network and subscribe a minimum of one line to this Service. There is no minimum monthly usage commitment for this service. The initial period is eighteen seconds (18) or fraction thereof and the additional period is each six seconds (6) or fraction thereof.

**(B) ITS Toll Free E-Bill**

ITS Toll Free E-Bill is an inbound long distance pricing plan available to Residential and Business Customers that utilize Switched Access to reach the long distance network and subscribe a minimum of one line to this Service. There is no minimum monthly usage commitment for this service. The initial period is eighteen seconds (18) or fraction thereof and the additional period is each six seconds (6) or fraction thereof. The Customer's bill and bill detail will be provided via the internet.

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**SECTION 3 - DESCRIPTION OF SERVICES**

**3.2 Inbound Services**

**3.2.3 Dedicated Access**

**(A) ITS Direct InTouch**

ITS Direct Inbound is an inbound only, long distance pricing plan for businesses that utilize Dedicated Access to reach the POP of the underlying carrier. Intrastate service is only available to business Customers subscribing to the Company's interstate service. The initial period is eighteen seconds (18) or fraction thereof and the additional period is each six seconds (6) or fraction thereof. This service requires a term plan agreement of one (1), two (2), or three (3) years. The Customer is responsible for all charges and equipment required to deliver traffic between the Customers premises and the POP of the underlying carrier.

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**SECTION 3 - DESCRIPTION OF SERVICES**

**3.3 Travel Card Services**

**3.3.1 General**

Travel card Services enable the End User to originate a call from a touch tone telephone by dialing a toll free access number, a valid calling card number, and PIN. All travel card Services are interstate Services with the Customer having the option to use the Service to place intrastate calls.

**3.3.2 ITS Travel Card**

The ITS Travel Card is available to Business Customers and Residential Customers that subscribe to one of the Company's Outbound Service offerings. The initial period is sixty seconds (60) or fraction thereof and the additional period is each sixty seconds (60) or fraction thereof.

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**SECTION 3 - DESCRIPTION OF SERVICES**

**3.4 Directory Assistance**

**3.4.1 Description of Service**

Intrastate Directory Assistance involves the supplying of assistance in determining or attempting to determine the telephone number of a party.

**3.4.2 Availability of Service**

Directory assistance is available to any Customer that has access to the directory assistance bureau of the DUC.

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**SECTION 3 - DESCRIPTION OF SERVICES**

**3.5 Conference Services**

**3.5.1 ITS Teleconferencing**

**(A) General**

Intrastate ITS Teleconferencing service furnishes connections between three or more telephone stations on one connection at the same time with all connections originating and terminating in the State. The conference time is reserved by calling a ITS toll free reservation number at any time prior to the conference call. The initial period is sixty seconds (60) or fraction thereof and the additional period is each sixty seconds (60) or fraction thereof. Chargeable time is calculated on each leg of the call.

**(B) Capacity**

The service provides the capability to connect an unlimited number of participants, at up to 2000 locations, in a single call.

**(C) Coverage Area**

The coverage area is the State.

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**SECTION 3 - DESCRIPTION OF SERVICES**

3.5 Conference Services

3.5.1 ITS Teleconferencing

(D) Service Offerings

1. 800 Automated Service

Call Originator sets up the call by providing start time, estimated end time, and anticipated number of participants to ITS Customer service a minimum of 2 hours prior to requested start time (charges are based on actual participants). Participants call in to the conference bridge on a toll free number. Stand-by operators are available for an additional charge.

2. Call-In Service

Participants call in to the conference bridge. Each participant pays transport charges to the conference bridge.

3. Dial-Out Service

Dial-Out Service automatically includes dedicated operator. Conference Operator calls each participant and places them into conference.

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**SECTION 3 - DESCRIPTION OF SERVICES**

**3.5 Conference Services**

**3.5.1 ITS Teleconferencing**

**(E) Service Enhancements**

**1. Recording**

A Recording of the conference may be requested at the time the conference call is set up.

**2. Recording Play Back**

A previously recorded conference call may be played back to participants.

**3. Q & A**

Questions and answers may be requested on a conference call. Requires a conference call with an operator.

**4. Polling**

Polling may be requested on a conference call. Requires a conference call with an operator.

Issued: January 4, 2002

Effective:

Interexchange Services Tariff

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**SECTION 3 - DESCRIPTION OF SERVICES**

**3.6 Operator Assisted Calls**

**3.6.1 General**

- (A) Operator Services is any variety of telephone services which require the assistance of a long distance operator. Examples include operator dialed Station-to Station calls, collect calls and Person-to-Person calls.
- (B) A collect call is a call for which applicable charges are billed to the telephone number of the called station of the Customer. Charges for collect calls will not be accepted if the called party to whom the charges are to be billed is at a payphone or institutional phone.
- (C) There are two rate elements. There is a usage charge and a surcharge. The operator dialed surcharge applies in addition to all Station-to-Station and Person-to-Person operator surcharges when the Customer has the ability to dial all the digits necessary for call completion but instead dials 00 to reach the operator to have the operator complete the call. A handicapped Customer who is unable to dial the call because of his or her handicap may request credit for the surcharge from the operator.
- (D) For all calls, the initial and additional periods are billed in increments of one (1) minute.



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**SECTION 4 - MAXIMUM RATES AND CHARGES**

4.1 Outbound Services

4.1.1 Switched Access

(A) ITS LocalNet Service

The maximum rate per minute is \$0.99

For Monthly Recurring charge see Interstate Price list at [www.Itsonline.net](http://www.Itsonline.net)

(B) ITS LocalNet Plus E-Bill

The maximum rate per minute is \$0.99

For Monthly Recurring charge see Interstate Price list at [www.Itsonline.net](http://www.Itsonline.net)

Issued: January 4, 2002

Effective:

Interexchange Services Tariff

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**SECTION 4 - MAXIMUM RATES AND CHARGES**

4.1 Outbound Services

4.1.2 Dedicated Access

(A) InTouch Direct

The maximum rate per minute is \$0.99

Issued: January 4, 2002

Effective:

Interexchange Services Tariff

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**SECTION 4 - MAXIMUM RATES AND CHARGES**

**4.2 InTouch Inbound**

**4.2.1 Switched Access**

**(A) ITS LocalNet Service**

The maximum rate per minute is \$0.99

For Monthly Recurring Charge and Resporg Fee see Interstate Price list at  
[www.Itsonline.net](http://www.Itsonline.net)

**(B) ITS LocalNet Plus E-Bill**

The maximum rate per minute is \$0.99

For Monthly Recurring Charge and Resporg Fee see Interstate Price list at  
[www.Itsonline.net](http://www.Itsonline.net)

Issued: January 4, 2002

Effective:

Interexchange Services Tariff

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**SECTION 4 - MAXIMUM RATES AND CHARGES**

4.2 InTouch Inbound

4.2.2 Dedicated Access

(A) InTouch Direct

The maximum rate per minute is \$0.99

For Monthly Recurring Charge and Resporg Fee see Interstate Price list at  
[www.Itsonline.net](http://www.Itsonline.net)

Issued: January 4, 2002

Effective:

Interexchange Services Tariff

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**SECTION 4 - MAXIMUM RATES AND CHARGES**

4.3 Directory Assistance

The maximum charge is \$3.50 per call.

Issued: January 4, 2002

Effective:

Interexchange Services Tariff

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**SECTION 4 - MAXIMUM RATES AND CHARGES**

**4.4 Calling Card Service**

**4.4.1 ITS Travel Card**

The maximum rate per minute or fraction thereof is \$0.99

Calls originating from Payphones will incur a Payphone Surcharge (See Section 4.7.2 of this Tariff).

Issued: January 4, 2002

Effective:

Interexchange Services Tariff

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**SECTION 4 - MAXIMUM RATES AND CHARGES**

4.5 Conference Services

4.5.1 ITS Teleconferencing

(A) Service Offerings

1. 800 Automated Service

Usage maximum charge of \$0.99 per minute per participant.

Stand-By Operator available for maximum charge of \$0.99 per minute per participant.

2. Call-In Service

Maximum usage charge of \$0.99 per minute per participant.

3. Dial-Out Service

Set up charge maximum of \$10.00 per participant.

Maximum usage charge of \$0.99 per minute per participant (includes dedicated operator).

Issued: January 4, 2002

Effective:

Interexchange Services Tariff

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**SECTION 4 - MAXIMUM RATES AND CHARGES**

4.5 Conference Services

4.5.1 ITS Teleconferencing

(B) Service Enhancements

1. Recording

The maximum recording charge is \$80.00 per 30 minute tape.

2. Recording Play Back

The maximum recording play back charge is \$80.00 per 30 minute tape plus cost per minute of each participant that joins the playback conference (see 4.5.1 A .1-.3)

3. Q & A

Maximum set up charge of \$20.00. Only available on a conference call with an operator.

4. Polling

Maximum set up charge of \$20.00. Only available on a conference call with an operator.



Issued: January 4, 2002

Effective:

Interexchange Services Tariff

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**SECTION 4 - MAXIMUM RATES AND CHARGES**

**4.6 Operator Assisted Calls**

**4.6.1 Switched Access Services.**

Per Call Maximum Charge of \$3.50

Usage charge at the Customers presubscribed outbound plan.

**4.6.2 Dedicated Access Services.**

Per Call Maximum Charge of \$3.50

Usage charge at the Customers presubscribed outbound plan.

Issued: January 4, 2002

Effective:

Interexchange Services Tariff

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**SECTION 4 - MAXIMUM RATES AND CHARGES**

**4.7 Miscellaneous Charges**

**4.7.1 Return Check Charge**

If a Customer's check is returned by the bank, the Company may charge the Customer a return check charge. The maximum amount of the return check charge is \$45.00.

**4.7.2 Payphone Surcharge**

Pursuant to the FCC's Order in CC Docket 96-128, this surcharge applies only to dial-around calls, i.e., calls originating using a Customer's toll free numbers and/or Calling Cards, from payphone instruments. This surcharge does not apply for 0+ call for which the payphone provider would otherwise receive compensation. The Customer will pay the Company a per call surcharge maximum of \$1.00 per call for all such traffic.

Issued: January 4, 2002

Effective:

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Interexchange Services Tariff

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**SECTION 1 - RATES AND CHARGES**

1.1 Outbound Services.1 Outbound Services

1.1.1 Switched Access.1.1 Switched Access

(A) ITS LocalNet Service

The rate per minute is \$0.182

For Monthly Recurring charge see Interstate Price list at [www.Itsonline.net](http://www.Itsonline.net)

(B) ITS LocalNet Plus E-Bill

The rate per minute is \$0.182

For Monthly Recurring charge see Interstate Price list at [www.Itsonline.net](http://www.Itsonline.net)

ECI Communications, Inc.  
d/b/a ITS Network Services, Inc.

A.C.C. Price List No.1  
Page 2, Original

Issued: January 4, 2002

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**Interexchange Services Tariff**

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**SECTION 1 - RATES AND CHARGES**

**1.1 Outbound Services**

**1.1.2 Dedicated Access.1.2 Dedicated Access**

**(A) InTouch Direct**

The rate per minute is \$0.143

Issued: January 4, 2002

Effective:

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Interexchange Services Tariff

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**SECTION 1 - RATES AND CHARGES**

1.2 InTouch Inbound.2 InTouch Inbound

1.2.1 Switched Access.2.1 Switched Access

(A) ITS LocalNet Service

The rate per minute is \$0.182

For Monthly Recurring Charge and Respong Fee see Interstate Price list at  
[www.Itsonline.net](http://www.Itsonline.net)

(B) ITS LocalNet Plus E-Bill

The rate per minute is \$0.182

For Monthly Recurring Charge and Respong Fee see Interstate Price list at  
[www.Itsonline.net](http://www.Itsonline.net)

ECI Communications, Inc.  
d/b/a ITS Network Services, Inc.

A.C.C. Price List No.1  
Page 4, Original

Issued: January 4, 2002

Effective:

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Interexchange Services Tariff

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**SECTION 1 - RATES AND CHARGES**

1.2 InTouch Inbound

1.2.2 Dedicated Access.2.2 Dedicated Access

(A) InTouch Direct

The rate per minute is \$0.143

For Monthly Recurring Charge and Resporq Fee see Interstate Price list at  
[www.Itsonline.net](http://www.Itsonline.net)

ECI Communications, Inc.  
d/b/a ITS Network Services, Inc.

A.C.C. Price List No.1  
Page 5, Original

Issued: January 4, 2002

Effective:

Interexchange Services Tariff

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**SECTION 1 - RATES AND CHARGES**

1.3 Directory Assistance

The charge is \$0.95 per call.

Issued: January 4, 2002

Effective:

Interexchange Services Tariff

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**SECTION 1 - RATES AND CHARGES**

1.4 Calling Card Service

1.4.1 ITS Travel Card

The rate per minute or fraction thereof is \$0.199

Calls originating from Payphones will incur a Payphone Surcharge (See Section 1.7.2 of this Price List).



Issued: January 4, 2002

Effective:

Interexchange Services Tariff

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**SECTION 1 - RATES AND CHARGES**

1.5 Conference Services

1.5.1 ITS Teleconferencing

(A) Service Offerings

1. 800 Automated Service

Usage charge of \$0.28 per minute per participant.

Stand-By Operator available for \$0.04 per minute per participant.

2. Call-In Service

Usage charge of \$0.20 per minute per participant.

3. Dial-Out Service

Set up charge of \$3.00 per participant.

Usage charge of \$0.42 per minute per participant (includes dedicated operator).

Issued: January 4, 2002

Effective:

Interexchange Services Tariff

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**SECTION 1 - RATES AND CHARGES**

1.5 Conference Services

1.5.1 ITS Teleconferencing

(B) Service Enhancements

1. Recording

The recording charge is \$20.00 per 30 minute tape.

2. Recording Play Back

The recording play back charge is \$20.00 per 30 minute tape plus cost per minute of each participant that joins the playback conference (see 1.5.1 A .1-.3)

3. Q & A

Set up charge of \$3.00. Only available on a conference call with an operator.

4. Polling

Set up charge of \$3.00. Only available on a conference call with an operator.

Issued: January 4, 2002

Effective:

Interexchange Services Tariff

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**SECTION 1 - RATES AND CHARGES**

1.6 Operator Assisted Calls

1.6.1 Switched Access Services.

Per Call Charge of \$0.95

Usage charge at the Customers presubscribed outbound plan.

1.6.2 Dedicated Access Services.

Per Call Charge of \$0.75

Usage charge at the Customers presubscribed outbound plan.

Issued: January 4, 2002

Effective:

Interexchange Services Tariff

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**SECTION 1 - RATES AND CHARGES**

1.7 Miscellaneous Charges

1.7.1 Return Check Charge

If a Customer's check is returned by the bank, the Company may charge the Customer a return check charge. The amount of the return check charge is \$25.00.

1.7.2 Payphone Surcharge

Pursuant to the FCC's Order in CC Docket 96-128, this surcharge applies only to dial-around calls, i.e., calls originating using a Customer's toll free numbers and/or Calling Cards, from payphone instruments. This surcharge does not apply for 0+ call for which the payphone provider would otherwise receive compensation. The Customer will pay the Company a per call surcharge of \$0.30 per call for all such traffic.

**ECI Communications, Inc.**

**ARIZONA CORPORATION COMMISSION**

**CC&N APPLICATION**

**ATTACHMENT C**

**FINANCIAL STATEMENTS**

ECI COMMUNICATIONS, CORP.  
BALANCE SHEET  
AS OF JUNE 30, 2001

ASSETS

Cash in Bank	\$10,089.03
Prepaid Expenses	17,490.60
Advances	10,000.00
Expenses To Be Capitalized When Purchase Of ITS Assets Is Finalized	<u>48,646.50</u>
Total Assets	<u>\$86,226.13</u>

LIABILITIES

Accrued Expenses Related To Future ITS Assets Purchase	\$15,650.00
Notes Payable To Shareholders	<u>70,000.00</u>
Total Liabilities	<u>85,650.00</u>

SHAREHOLDERS' EQUITY

Common Stock - 100,000,000 Shares Authorized.	
1,000,000 Shares Issued & Outstanding	5,000.00
Net Profit/(Loss) Thru 06-30-01	<u>(4,423.87)</u>
Total Shareholders' Equity	<u>576.13</u>
Total Liabilities & Shareholders' Equity	<u>\$86,226.13</u>

ECI COMMUNICATIONS, CORP.  
INCOME STATEMENT  
FOR THE FISCAL YEAR ENDING JUNE 30, 2001

REVENUE	\$ 0.00
OPERATING EXPENSE	
Bank Charges	60.00
Legal Fees	<u>510.00</u>
Net Operating Profit/(Loss)	<u>(570.00)</u>
OTHER INCOME/(EXPENSE)	
Interest Income	146.13
Write-Off Of Organization Costs	<u>(4,000.00)</u>
Total Other Income/(Expense)	<u>(3,853.87)</u>
Net Profit/(Loss) This Year To Date	<u><u>\$ (4,423.87)</u></u>

ECI COMMUNICATIONS, INC.  
BALANCE SHEET  
AS SEPTEMBER 30, 2001  
(UNAUDITED)

ASSETS

CURRENT ASSETS

Cash in Bank	\$ 301,289.51
Accounts Receivable, Net	409,827.75
Receivable from ITS Trustee	112,623.30
Other Receivables	3,769.30
Prepaid Expenses	32,646.37
Inventory	<u>2,061.50</u>

Total Current Assets	<u>862,217.73</u>
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FIXED ASSETS

Furniture, Equipment & Software, Net	<u>62,460.07</u>
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Total Fixed Assets	<u>62,460.07</u>
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OTHER ASSETS

Deposits	20,700.00
Goodwill	150,000.00
ITS Customer Base, Net	<u>150,575.43</u>

Total Other Assets	<u>321,275.43</u>
--------------------	-------------------

Total Assets	<u>\$1,245,953.23</u>
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LIABILITIES & STOCKHOLDERS' EQUITY

CURRENT LIABILITIES

Accounts Payables	\$ 323,242.92
Accrued Expenses & Taxes	99,746.97
Reserve	1,200.00
Contract Payable	40,000.00
Note Payable to ITS Trustee	50,000.00
Notes Payable to Shareholders	<u>26,000.00</u>

Total Current Liabilities	<u>540,189.89</u>
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LONG TERM LIABILITIES

Total Liabilities	<u>0.00</u>
	<u>540,189.89</u>

STOCKHOLDERS' EQUITY

Preferred Stock, \$.0001 par value; 10,000,000 shares authorized; 0 and 1,119,000 shares issued & outstanding on June 30, 2001 and September 30, 2001, respectively; convertible into 1,118,993 shares of common stock	489,562.50
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Common Stock, \$.0001 par value; 100,000,000 shares authorized; 1,000,000 and 1,666,667 shares issued & outstanding on June 30, 2001 and September 30, 2001, respectively	205,000.00
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Retained Earnings	<u>11,200.84</u>
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Total Stockholders' Equity	<u>705,763.34</u>
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Total Liabilities & Stockholders' Equity	<u>\$1,245,953.23</u>
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(The Accompanying Notes Are An Integral Part Of These Financial Statements)



ECI COMMUNICATIONS, INC.  
STATEMENT OF OPERATIONS  
FOR THE THREE MONTHS ENDING SEPTEMBER 30, 2001  
(Fiscal Year Ending June 30)  
(UNAUDITED)

REVENUES	\$ 756,299.23
 COST OF SALES	
Wholesale Telecom Carriers	520,029.32
Commissions	17,426.45
Wireless Equipment	2,661.95
Other Costs of Sales	<u>37,064.62</u>
Total Cost of Sale	<u>577,182.34</u>
Gross Profit	<u>179,116.89</u>
 OPERATING EXPENSES	
Employee Salaries & Wages	82,842.26
Employee Taxes & Benefits	15,399.79
Amortization & Depreciation	308.43
Leases, Licenses & Subscriptions	7,977.71
Legal & Accounting	5,261.01
Outside Services	14,139.00
Rent & Utilities	18,154.51
Telephone & Telecom	3,927.99
Travel, Lodging & Meals	6,926.45
Other Operating Expenses	<u>7,508.09</u>
Total Operating Expenses	<u>162,445.24</u>
Net Income from Operations	<u>16,671.65</u>
 OTHER INCOME/(EXPENSE)	
Interest Income	<u>39.23</u>
Total Other Income/(Expense)	<u>39.23</u>
Net Income Before Income Taxes	16,710.88
 ESTIMATED INCOME TAXES	<u>1,086.17</u>
Net Income After Taxes	<u>\$ 15,624.71</u>
 EARNINGS PER SHARE OF COMMON STOCK	
Basic Earnings Per Share	\$ 0.02
Diluted Earnings Per share	\$ 0.01
 WEIGHTED AVERAGE OF COMMON SHARES OUTSTANDING	
Basic	1,007,246
Diluted	1,507,246

(The Accompanying Notes Are An Integral Part Of These Financial Statements)

ECI COMMUNICATIONS, INC.  
STATEMENT OF STOCKHOLDERS' EQUITY  
INCEPTION THROUGH SEPTEMBER 30, 2001  
(UNAUDITED)

	Common Stock		Preferred Stock		Gain (Deficit)	Total
	Shares	Amount	Shares	Amount		
Balance at Inception, September 20, 2001	1,000,000	\$ 5,000.00	0	\$ 0.00	\$ 0.00	\$ 5,000.00
Net Loss					(4,423.87)	(4,423.87)
Balance at End of Fiscal Year, June 30, 2001	1,000,000	5,000.00	0	0.00	(4,423.87)	576.13
Preferred Stock Issued Under Private Placement, Series A*			1,119,000	489,562.50		489,562.50
Common Stock Issued For Purchase of ITS Assets**	666,667	200,000.00				200,000.00
Net Income					15,624.71	15,624.71
Balance at End of Fiscal 1 <sup>st</sup> Quarter, September 30, 2001	1,666,667	\$205,000.00	1,119,000	\$489,562.50	\$ 11,200.84	\$ 705,763.34

\* These Preferred Stock shares are convertible, at each individual stockholder's option, into a total of 1,118,993 shares of Common Stock plus a total of \$3.14 to be paid to the stockholders for the fractional shares remaining if all shares are converted.

\*\* These 666,667 shares of Common Stock were used as part of the purchase price to acquire the ITS assets. The actual issuance of the shares will occur at the formal closing of the purchase on December 28, 2001. However, in accordance with the agreements approved by the Bankruptcy Court, the effective date of issue will be retroactive to September 30, 2001. Therefore, these shares have been included in this Statement Of Stockholders' Equity as though they were issued on September 30, 2001.

(The Accompanying Notes Are An Integral Part Of These Financial Statements)

ECI COMMUNICATIONS, INC.  
STATEMENT OF CASH FLOWS  
FOR THE THREE MONTHS ENDING SEPTEMBER 30, 2001  
(Fiscal Year Ending June 30)  
(UNAUDITED)

CASH FLOWS RESULTING FROM OPERATIONS

Net Income After Taxes	\$ 15,624.71
Adjustments to reconcile Net Income To Net Cash provided by Operations:	
Depreciation & Amortization	308.43
(Increases)/Decreases in Current Assets:	
Receivable From ITS Trustee	(112,623.30)
Other Receivables	(3,769.30)
Prepaid Expenses & Advances	43,490.73
Increases/(Decreases) in Current Liabilities:	
Accounts Payable	323,242.92
Accrued Expenses & Taxes	84,096.97
Reserve Accounts	1,200.00
Contracts & Notes Payable	<u>46,000.00</u>
Net Cash Provided/(Used) By Operations	<u>397,571.16</u>

CASH FLOWS RESULTING FROM INVESTING ACTIVITIES

Purchase of Fixed Assets	(32,768.50)
Purchase of ITS Assets:	
Accounts Receivable	(409,827.75)
Inventory	(2,061.50)
Furniture, Equipment & Software	(30,000.00)
Deposits	(20,700.00)
Goodwill	(150,000.00)
ITS Customer Base	<u>(150,575.43)</u>
Net Cash Provided/(Used) By Investing Activities	<u>(795,933.18)</u>

CASH FLOWS RESULTING FROM FINANCING ACTIVITIES

Value Of Common Stock Used In Purchase Of ITS Assets	200,000.00
Proceeds From Sale Of Preferred Stock, Series A	<u>489,562.50</u>
Net Cash Provided/(Used) By Financing Activities	<u>689,562.50</u>
Net Increase In Cash	291,200.48

CASH AT BEGINNING OF PERIOD

Cash At End Of Period	<u>\$ 301,289.51</u>
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(The Accompanying Notes Are An Integral Part Of These Financial Statements)

ECI COMMUNICATIONS, INC.

STATEMENT OF CASH FLOWS

(Continued)

FOR THE THREE MONTHS ENDING SEPTEMBER 30, 2001

(Fiscal Year Ending June 30)

(UNAUDITED)

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash Paid During This Fiscal Year For Interest*	\$	0.00
Cash Paid During This Fiscal Year For Income Taxes**	\$	0.00

SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING  
AND FINANCING ACTIVITIES:

666,667 shares of Common Stock were used as part of the purchase price to acquire the ITS assets. These shares were valued by the parties at \$0.30 per share for a total of \$200,000.00. The issuance of the shares will occur at the formal closing of the purchase on December 28, 2001. However, in accordance with the agreements approved by the Bankruptcy Court, the effective date of issue will be retroactive to September 30, 2001. Therefore, these shares have been included in this Statement Of Cash Flows as though they were issued on September 30, 2001.

- \* The Series A preferred stock issued by ECI this fiscal year is all convertible preferred stock with a premium of 7.0% annual interest. However, no interest is owed by ECI until the convertibility period ends. For this Series A preferred stock, the convertibility period is one (1) year following the purchase date, which occurred on various dates between July 27, 2001, and September 30, 2001. ECI reasonably expects that all the Series A Preferred Stock will be converted prior to the end of the convertibility period

All the Notes Payable To Shareholders have consideration other than the payment of interest as a condition of the loan, primarily certain rights to convert to common or preferred stock.

The \$50,000.00 Note Payable To ITS Trustee is inclusive of 2.0% interest, due with the principal at the time of the formal closing of the ITS asset purchase on December 28, 2001. Both the principal and the interest have been included as capitalized costs for the purchased assets.

- \*\* ECI had a loss of \$4,423.87 for the partial fiscal year ended June 30, 2001, primarily due the expensing of \$4,000.00 of organization costs. As a result, no income taxes have been due from ECI as of September 30, 2001. The \$1,046.94 of California state taxes owed for the profit earned since the beginning of this new fiscal year has been accrued on the Balance Sheet and will be paid on or before its due-date of December 15, 2001. (ECI reasonably expects to merge with a public shell company in the immediate future. This shell company has over \$250,000 in operating loss carry-forward that will be used to shelter ECI's initial profits from Federal income taxes. Therefore, no provision for Federal taxes has been included for this quarter's profit.)

(The Accompanying Notes Are An Integral Part Of These Financial Statements)

ECI COMMUNICATIONS, INC.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE THREE MONTHS ENDING SEPTEMBER 30, 2001  
(UNAUDITED)

NOTE 1. ORGANIZATION & DESCRIPTION OF THE BUSINESS

ECI Communications, Inc. ("Company" or "ECI") is a provider of telecommunication services for business and residential customers, including long distance telephone services, local telephone services and calling card services as well as certain cellular telephone products. The Company was incorporated on September 20, 2000, as a privately-held regular corporation under the laws of the State of Nevada and is doing business as ITS Network Services in California and certain other states. ECI's corporate offices are located in Fresno, California, with billing support facilities in Kingsburg, California, and an administrative support office in Phoenix, Arizona.

From the time of its incorporation through July 30, 2001, ECI was a development company. All efforts during this period were oriented towards the initiation of full-scale operations through the acquisition of an existing telecom company, or the assets of such a company, in accordance with the Company's business plan, primarily through the use of outside professionals.

On July 31, 2001, ECI received approval ("Approval") from the bankruptcy court ("Court") to purchase virtually all the telecom-related assets ("Purchased Assets") of Integrated TeleServices, Inc. ("ITS"), a company operating under the protection of Chapter 11 of the Federal Bankruptcy Code since January 10, 2000. Coincident with the Approval, ECI deposited a \$400,000 cashiers check with the trustee ("Trustee") of the ITS estate ("Estate") as partial payment for the Purchased Assets. (See Note 12 of these Notes To Financial Statements.) In accordance with the various agreements approved by the Court ("Assets Purchase Agreements"), the formal closing of this purchase is scheduled to occur on December 28, 2001 ("Closing"). This delay of the Closing was requested in order to give ECI the opportunity to transfer/obtain certain contractual and regulatory requirements needed to operate the Purchased Assets without relying on the authority of the Court, including, without limitation, contracts with wholesale telecom carriers and state certifications.

Prior to the Closing, the Trustee is obligated to maintain the Purchased Assets for the benefit of ECI. In accordance with the Asset Purchase Agreements, the Trustee subcontracted this obligation directly to ECI under the terms of a management agreement ("Management Agreement"), effective July 30, 2001. For the period of July 30, 2001, through the Closing, ECI is therefore managing and operating the Purchased Assets for its own benefit.

Coincident with the Approval, ECI implemented its preplanned actions to employ senior management and the operating personnel needed to meet its obligations under the Management Agreement. At the same time, the Trustee ceased performing all operating functions related to the ITS telecom business. Under the Management Agreement, ECI (i) receives all the collected ITS cash receipts as the Company's management fee, and (ii) is responsible for all operating expenses incurred after July 30, 2001. The Estate is responsible for ITS expenses incurred prior to July 30, 2001.

Under the terms of the Asset Purchase Agreements, at the time of the Closing certain material aspects of the transaction are retroactive to September 30, 2001, including, without limitation, (i) the transfer of ownership of the Purchased Assets to ECI ("Asset Ownership"), and (ii) the Estate's ownership of the 666,667 shares of ECI common stock that is part of the purchase price of the Purchased Assets ("Stock Ownership").

ECI COMMUNICATIONS, INC.  
NOTES TO FINANCIAL STATEMENTS  
(Continued)  
FOR THE THREE MONTHS ENDING SEPTEMBER 30, 2001  
(UNAUDITED)

The Company's management currently believes the Closing will occur on schedule. These financial statements have therefore been prepared to reflect the Company's financial position based on the transfers of the Asset Ownership and the Stock Ownership on September 30, 2001. In the event the Closing does not occur, then these financial statements will not be an accurate representation of ECI's financial position and will need to be restated.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Recognition Of Revenue And Related Costs - The Company recognizes its telecom related revenues during the month in which the telecom services and products are delivered to its business and residential customers, i.e., in the month the customers make long distance, local or calling card telephone calls as reported to the Company by its wholesale telecom carriers. The Company recognizes other revenues during the month in which such other revenues are reasonably earned.

In addition, the Company has adopted the Securities and Exchange Commission ("SEC") issued Staff Accounting Bulletin ("SAB") 101 in the preparation of its financial statements. SAB 101 outlines the basic criteria that must be met to recognize revenue and provides guidance for the presentation of revenue and the disclosure related to revenue recognition policies in financial statements filed with the SEC.

The Company recognizes its costs during the month in which such costs are reasonably incurred.

Recognition Of Revenues Under The Management Agreement - Under the terms of the Management Agreement, the Company's fee is specifically stated as all the ITS cash and credit card receipts the Company collects on or after July 30, 2001. The Company's revenue during the quarter ending September 30, 2001, consisted only of fees from the Management Agreement, interest income and the sale for cash of an option to a related party. (See Note 8 of these Notes To Financial Statements.) Therefore during this quarter, the Company has effectively reported its revenues on a cash basis.

Accounts Receivable - The Company does not include in its accounts receivable any amounts due from its customer that are 90 days or more past due. In addition, the Company provides for reserves that management reasonably believes is sufficient to cover the receivables the Company will not be able to collect within such 90 days.

Fixed Assets - The Company states the value of all its purchased furniture, fixtures, equipment and software at cost, other than such fixed assets as may be acquired in a manner similar to the ITS assets purchase, which are stated at estimated market value. Depreciation is computed using the straight-line method over the assets' estimated useful life, typically 3 to 5 years.

Betterment Costs - Betterments, renewals, and extraordinary repairs that extend the lives of the assets are capitalized. Other repairs and maintenance charges are expensed as incurred. The cost and related accumulated depreciation applicable to retired assets are removed from the accounts, and the gain or loss on disposition is recognized in current operations.

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Use Of Estimates - In the preparation of its financial statements, the Company's management is required to make certain estimates and assumptions ("Estimates") in order to comply with generally accepted accounting principles. Such Estimates can affect the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from the Estimates. Material Estimates typically made by management include, without limitation, provisions for losses on accounts receivable, realizability of long-lived assets and estimates for income tax valuations.

Long-Lived Assets - In the preparation of its financial statements, the Company has adopted Statement of Financial Accounting Standards ("SFAS") No. 121, relating to the impairment/disposal of long-lived assets, which is discussed in more detail below in Note 3. Based on the requirements of this SFAS 121, the Company believes that no impairment of its long-lived assets existed as of September 30, 2001.

NOTE 3. ADOPTION OF ACCOUNTING STANDARDS

The Company prepares its financial statements in accordance with generally accepted accounting principles. In addition, except as indicated below for SFAS No. 123, the Company has specifically adopted the following recently issued accounting standards in the preparation of its financial statements.

Fair Value Of Financial Instruments - The Company has adopted SFAS No. 107 "Disclosures about Fair Value of Financial Instruments". Under SFAS 107, the Company's management determines the estimated fair value amounts of its financial instruments using available market information and other valuation methods. However, since considerable judgment is required to interpret market data in developing estimates of fair value, such estimates are not necessarily indicative of the amounts the Company could actually realize in a current market exchange.

Earnings Per Share - The Company has adopted SFAS No. 128 "Earnings Per Share". Basic Earnings Per Share is computed by dividing the net income available to common shareholders by the weighted-average number of common shares outstanding. Diluted Earnings Per Share is computed in a manner similar to the Basic Earnings Per Share, except that the weighted-average number of shares outstanding is increased to include all common shares, including those with the potential to be issued by virtue of warrants, options, convertible preferred stock, convertible debt and other such convertible instruments. Diluted Earnings Per Share contemplates a complete conversion to common shares of all convertible instruments only if they are dilutive in nature with regards to earnings per share.

Comprehensive Income - The Company had adopted SFAS No. 130, "Reporting Comprehensive Income". SFAS 130 establishes standards for reporting and display of comprehensive income and its components in a full set of general-purpose financial statements. The Company currently has no items of comprehensive income.

Segments Of An Enterprise And Related Information - The Company has adopted SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information." SFAS 131 changed the way public companies report information about segments of their business in their annual financial statements and requires them to report selected segment information in their quarterly reports issued to shareholders. It

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also requires entity-wide disclosures about the products and services an entity provides, the material countries in which it holds assets and reports revenues and its major customers. Currently, 99% of the Company's revenues are telecom-related revenues. The Company therefore believes segment reporting is not applicable.

Stock-Based Compensation - The Company has adopted Accounting Principles Board Opinion ("APB") No. 25, "Accounting for Stock Issued to Employees", the intrinsic value based method to account for stock-based compensation issued to employees. Under the intrinsic value based method, compensation is the excess, if any, of the fair value of the stock at the grant date or other measurement date over the amount an employee must pay to acquire the stock. Compensation, if any, is recognized over the applicable service period, which is usually the vesting period.

The Financial Accounting Standards Board ("FASB") issued SFAS No. 123, "Accounting for Stock-Based Compensation". This standard, if fully adopted, changes the method of accounting for employee stock-based compensation plans to the fair value based method. For stock options and warrants, fair value is determined using an option pricing model that takes into account the stock price at the grant date, the exercise price, the expected life of the option or warrant and the annual rate of quarterly dividends. Compensation expense, if any, is recognized over the applicable service period, which is usually the vesting period.

The adoption of the accounting methodology of SFAS 123 is optional and the Company has currently elected to continue accounting for stock-based compensation issued to employees using APB 25 and not to adopt SFAS 123 at this time. However, pro forma disclosures, as if the Company adopted the cost recognition requirements under SFAS 123, are required to be presented. At the present time, the Company has not issued stock-based compensation to any employee.

Certain Stock Compensation Transactions - The Company has adopted FASB's Interpretation ("FIN") No. 44, "Accounting for Certain Transactions Involving Stock Compensation, an Interpretation of APB 25." FIN 44 clarifies the application of APB 25 for (a) the definition of employee for purposes of applying APB 25, (b) the criteria for determining whether a plan qualifies as a non-compensatory plan, (c) the accounting consequence for various modifications to the terms of a previously fixed stock option or award, and (d) the accounting for an exchange of stock compensation awards in a business combination.

Derivative Instruments And Hedging Activities - The Company has adopted SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities". SFAS 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. It requires that an entity recognize all derivatives as either assets or liabilities on the balance sheet at their fair value. This statement, as amended by SFAS 137, is effective for financial statements for all fiscal quarters of all fiscal years beginning after June 15, 2000. Currently, the Company does not engage in any derivative or hedging activities.

Business Combinations - The Company has adopted SFAS No. 141, "Business Combinations," which is effective for business combinations initiated after June 30, 2001. SFAS 141 eliminates the pooling of interest method of accounting for business combinations and requires that all business combinations occurring after July 1, 2001 be accounted for under the purchase method.



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Goodwill And Other Tangible Assets - The Company has adopted SFAS No. 142, "Goodwill and Other Intangible Assets", which is effective for fiscal years beginning after December 15, 2001. Early adoption is permitted for entities with fiscal years beginning after March 15, 2001, provided that the first interim financial statements have not been previously issued. SFAS 142 addresses how intangible assets that are acquired individually or with a group of other assets should be accounted for in the financial statements upon their acquisition and after they have been initially recognized in the financial statements. SFAS 142 requires that goodwill and intangible assets that have indefinite useful lives not be amortized but rather be tested at least annually for impairment, and intangible assets that have finite useful lives be amortized over their useful lives. SFAS 142 provides specific guidance for testing goodwill and intangible assets that will not be amortized for impairment. In addition, SFAS 142 expands the disclosure requirements about goodwill and other intangible assets in the years subsequent to their acquisition. Goodwill and intangible assets acquired after June 30, 2001 are subject immediately to the provisions of SFAS 142.

Asset Retirement Obligations - The Company has adopted SFAS No. 143, "Accounting for Asset Retirement Obligations". SFAS 143 establishes standards associated with the retirement of tangible long-lived assets and the associated asset retirement costs. This statement is effective for financial statements issued for fiscal years beginning after June 15, 2002.

Impairment/Disposal Of Long-Lived Assets - The Company has adopted SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS 144 addresses financial accounting and reporting for the impairment of long-lived assets and for long-lived assets to be disposed of. The provisions of SFAS 144 are effective for financial statements issued for fiscal years beginning after December 15, 2001, and interim periods within these fiscal years, with early adoption encouraged.

Web Site Development Costs - The Company has adopted the consensus reached by the Emerging Issues Task Force on Issue No. 00-2, "Accounting for Web Site Development Costs". This consensus states that for specific web site development costs, the accounting for such costs should be accounted for under AICPA Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use."

NOTE 4. RECEIVABLES DUE TO COMPANY

As of September 30, 2001, the Company had outstanding receivables totaling \$526,220.35, of which \$522,451.05 is material to the Company's current financial position.

Accounts Receivable - The \$409,827.75 of Accounts Receivable resulted from the Company's purchase of the ITS assets. (See Notes 1 and 12 of these Notes To Financial Statements.) To establish the actual value of the purchased accounts receivable, the Company reduced the book-value of the ITS receivables by (i) all amounts that were 90-days or more overdue, and (ii) all other amounts owed by the ITS customer base that were questionable or in dispute ("Write-Offs"). As a result, the Company believes the full amount of the \$409,827.75 will be collected. The Company has initiated an aggressive program to collect as much of the Write-Offs in the future as possible.

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Receivable Due From ITS Trustee - Under the Management Agreement between the ITS Trustee and the Company, the Estate is responsible for paying all operating costs incurred by ITS prior to July 30, 2001 ("Prior Expenses"). The Estate did not have the funds to pay all of the Prior Expenses and was faced with a shortfall of \$112,623.30 ("Shortfall"). The Company determined it was in its best interest to pay the Shortfall and entered into an agreement under which the Shortfall will be paid back to the Company at the Closing out of the \$400,000 cashiers check the Company deposited with the Trustee at the time of the Approval. (See Notes 1, 6 and 12 of these Notes To Financial Statements.)

NOTE 5.   FIXED ASSETS

During this quarter ending September 30, 2001, the Company purchased \$32,768.50 of new computer equipment to support its responsibilities under the Management Agreement and to support the Company's future operating and administrative requirements. Applicable depreciation has been applied in accordance with the Company's accounting policy for depreciation and amortization. The other \$30,000.00 of Fixed Assets stated in these financial statements is the value the Company has placed on the furniture, equipment and software it acquired as part of the ITS asset purchase. (See Note 12 of these Notes To Financial Statements.)

NOTE 6.   NOTES & CONTRACTS PAYABLE

As of September 30, 2001, the Company owed a total of \$116,000.00 in Contracts and Notes Payable, \$35,000 of which has been repaid subsequent to September 30, 2001, before the completion of these financial statements.

Contract Payable - A remaining balance of \$40,000.00 was outstanding on September 30, 2001, for the \$80,000 fee LaRae Enterprises, Inc., earned for fulfilling its contract with the Company to locate, negotiate and conclude an acceptable acquisition for the Company. Under the terms of the contract, the \$80,000 fee is paid in installments, and the Company is current on these payments. \$10,000 of the \$40,000 remaining balance was paid subsequent to September 30, 2001, before the completion of these financial statements. The \$80,000 is inclusive of interest, which will be capitalized as part of the ITS assets acquisition. (See Notes 8 and 12 of these Notes To Financial Statements.)

Note Payable to ITS Trustee - A \$50,000.00 Note Payable to the Trustee of the ITS Estate was outstanding on September 30, 2001, and is due on December 28, 2001. This Note is part of the purchase price the Company paid for the ITS assets. The Company also currently has an outstanding receivable of \$112,623.30 owed to it by the ITS Trustee, which is due to be paid on December 28, 2001. The Company's agreement with the ITS Trustee calls for the Note be paid on December 28, 2001, by netting it against the \$112,623.30 receivable. The Note is inclusive of interest, which will be capitalized along with the principal as part of the ITS assets acquisition. (See Notes 4 and 12 of these Notes To Financial Statements.)

Notes Payable to Shareholder - A \$25,000.00 Note Payable to LaRae Enterprises, Inc., payable on demand after September 30, 2001, was outstanding on September 30, 2001, but was subsequently paid in full. This \$25,000 was loaned by LaRae at the start of the Company's operations immediately following the Court's approval of the ITS asset acquisition. LaRae received an advance on the payment of a portion of its Consulting Fee in lieu of interest. LaRae is not a shareholder of the

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Company's stock; however, LaRae's sole owner, Ed Jacobs, is a shareholder. (See Note 8 of these Notes To Financial Statements.) A \$1000.00 Note Payable to another shareholder was also outstanding on September 30, 2001. This Note has certain conversion rights for the Company's common stock up to December 31, 2001, after which, if not converted, will be paid interest at 7.0% per annum.

NOTE 7. MATERIAL LEASES, CONTRACTS & CONTINGENT LIABILITIES

The Company is currently a party to certain contracts, leases and contingent liabilities that are material to the Company's current financial position.

Capital Leases - The Company currently has no capital leases.

Facility Leases - On September 1, 2001, the Company entered into a three (3) year lease ("Lease") for its corporate offices located at 7108 Fresno Street, Fresno, California, 93720, where it currently occupies approximately 4800 square feet of rentable space ("Premises"). The monthly lease expense is \$5,314.30 per month through August 31, 2002. Beginning on September 1, 2002, the monthly lease expense increases to \$9,262.08, or, the Company could, at its option, maintain its current lease expense and reduce its rentable space to approximately 2800 square feet. Beginning on September 1, 2002, the monthly lease expenses increases by an additional \$0.02 per square foot on each anniversary date of the Lease. The Company has the option of terminating the Lease at the end of the first year by giving the landlord written notice of such election to terminate on or before May 31, 2002. The Company also has the option to extend the Lease for an additional three (3) year period. Under the terms of the Lease, the Company is obligated to pay a percentage of the total operating and maintenance costs for the building in which the Premises are located in the event such costs exceed a certain minimum monthly amount ("Extra Operating Costs"). For the month of September 2001, the Company's share of these Extra Operating Costs was \$325.00, primarily as a result of the current high cost of electric power in California. The Company's other two facilities are rented on a month-to-month basis.

Contracts With Wholesale Telecom Carriers - The Company recently entered into a three (3) year contract with Global Crossing for wholesale long distance telephone services under which Global Crossing will generally provide the Company with (i) transmission services for the telephone calls made by ECI's customers, and (ii) call detail records that will allow ECI to bill its customers for this usage. The contract obligates the Company to pay Global Crossing a minimum of \$50,000 per month, beginning in the 13<sup>th</sup> month of the contract, whether or not the monthly wholesale usage actually meets this minimum. Based on the Company's current wholesale telephone services usage, management does not believe the minimum charges in this contract present a significant future risk to the Company relative to the benefits received from the contract. Under the payment terms of this contract, the Company will generally be paying for its wholesale usage as the costs of such usage are incurred. The contract also gives Global Crossing certain security interests in the portion of the Company's customer base that will be utilizing Global Crossing's transmission services. In addition, management currently expects the Company to have contracts with two other wholesale telecom carriers that have existing agreements with ITS, either by transfer/assignment of the existing agreements or renegotiation prior to December 28, 2001.

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Employment Contracts With Officers - On January 16, 2001, the Company entered into a three (3) year employment agreement ("Employment Agreement") with its President, Ed Jacobs ("Jacobs"), which became effective on July 30, 2001 ("Start Date") when the Court approved the Company's first acquisition. After the expiration of the three year term, the Employment Agreement is effective on a month-to-month basis. In accordance with the terms of the Employment Agreement, Jacobs receives a salary of \$1.00 per month for a period of up to seven (7) months following the Start Date, after which his salary increases to \$10,000 per month subject to (i) the ability of ECI's profit to support such an increase, and (ii) the approval of ECI's Board, which will not be unreasonably withheld (collectively, "Salary Conditions"). During the term of the Employment Agreement, Jacobs' salary can increase up to \$40,000 per month, also subject to the Salary Conditions. As of this date, Jacobs has taken no salary. The Employment Agreement grants Jacobs warrants ("Warrants") for the right to purchase up to 500,000 shares of ECI common stock at an exercise price of \$0.02 per share, which the Company reasonably believes was the fair market value of its common stock on the grant date of January 16, 2001. Jacobs will not vest in the Warrants before the three-year term of the Employment Agreement expires; and, in order to vest, Jacobs must be an employee of the Company. However, vesting is accelerated in the event the Company meets or exceeds certain minimum revenue goals ("Goals") prior to January 1, 2006. For Jacobs to fully vest in all the Warrants, the Company's revenues must exceed \$8,000,000 per month by December 31, 2005. To date, the Company's monthly revenues have met the first of the Goals, and Jacobs has vested in Warrants for the right to purchase 100,000 shares of ECI common stock. In the event Jacobs is terminated without cause, as "without cause" is defined in the Employment Agreement ("Wrongful Termination"), Jacobs has certain rights against the Company, including, without limitation, (i) the right to receive termination pay of \$40,000 per month less the actual monthly salary paid each month prior to the date of such Wrongful Termination, and (ii) for a period of six months following such Wrongful Termination, the right to exercise all Warrants in which he has vested. The Employment Agreement also obligates the Company to (i) implement an insurance program for all its officers and directors, including Jacobs, that will provide reasonable protection against potential future litigation resulting from employment by the Company, (ii) implement an indemnification program for all of its officers and directors, including Jacobs, to reasonably indemnify them against potential financial losses resulting from employment by the Company, and (iii) provide Jacobs with a term life insurance policy of up to \$400,000 in death benefits to his selected beneficiary. To date, the Company has only met the obligation to provide the term life policy. The Company currently has no other employment agreements with any other Company officer or director.

Buyback of Stock From The ITS Estate - Part of the purchase price the Company is paying the Estate for the ITS assets is 666,667 shares of the Company's common stock ("Estate Shares"). The terms of the Asset Purchase Agreements obligate the Company to repurchase the Estate Shares on March 30, 2002 ("Repurchase Date") for \$0.30 a share or a total of \$200,000. The terms of the Asset Purchase Agreements also, (i) obligate the Company to sell an option ("Option") to an existing Company shareholder ("Option Holder") that gives the Option Holder the right to acquire the Estate Shares prior to the Due Date at a price of \$0.60 per share, and (ii) obligates the Estate to sell the Estate Shares to the Option Holder if the Option Holder so demands. On September 29, 2001, the Company sold such an Option to an existing Company shareholder, and management does not currently expect the Company will be required to repurchase the Estate Shares. (See Notes 8 and 12 of these Notes To Financial Statements.)

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NOTE 8. RELATED PARTY TRANSACTIONS

The Company is, or has been a party to transactions involving related parties that are material to the Company's financial position.

Consulting Contract For Acquisitions - On January 15, 2001, the Company entered into a consulting agreement with LaRae Enterprises, Inc. ("LaRae"). Under the terms of this agreement, LaRae was responsible to provide the Company with services (i) to locate a potential telecom acquisition that would meet the requirements of the Company's business plan, (ii) negotiate the terms of the purchase agreement with the targeted acquisition, subject to the Company's oversight and approval, and (iii) conclude the acquisition, subject to the Company's oversight and approval. LaRae was responsible for all of its own costs resulting from its efforts under this consulting agreement. However, in the event an acquisition was successfully completed, LaRae earned an \$80,000 fee, plus reimbursement for certain out-of-pocket expenses of approximately \$1000 (collectively, "Consulting Fee"). On July 30, 2001, LaRae earned the Consulting Fee, which the Company is paying in installments. (See Note 6 of these Notes To Financial Statements.) LaRae is the personal consulting company of Ed Jacobs, the Company's president. Coincident with entering into the consulting agreement with LaRae, the Company also entered into a conditional employment agreement with Jacobs to become the Company's President and CEO, subject to the condition that LaRae must be successful in its efforts to complete an acquisition for the Company. (See Note 7 of these Notes To Financial Statements.)

Option To Purchase Estate Shares - On September 29, 2001, the Company sold an Option to an existing shareholder for \$5,000, which gives the Option Holder the right to purchase the Estate Shares prior to the Due Date. The Option was sold in order to meet certain Company obligations under the Asset Purchase Agreements. (See Note 7 of these Notes To Financial Statements.) The Option terms provide that, (i) under certain conditions, the Company has the right, if it is in the Company's best interests, to sell another option ("Second Option") with the right to purchase the Estate Shares at a lower price than the Option, and (ii) the Option Holder must subordinated his rights to this Second Option. Management reasonably expects to sell such a Second Option prior to December 28, 2001.

NOTE 9. MAJOR CUSTOMERS

The Company currently has more than 1500 business and residential telecom customers. The fifty largest customers represent thirty seven percent (37%) of the Company's revenue, and the top ten of these largest customers represent eighteen percent (18%) of the revenue.

NOTE 10. LEGAL PROCEEDINGS

The Company is currently not a party to any adverse legal proceedings.

NOTE 11. INCOME TAXES

The Company earned a pretax profit of \$16,710.88 during the first three months of this fiscal year, which requires the accrual and payment of certain corporate income taxes ("Taxes"). The Company's loss carry-forward ("NOL") of \$4,423.87

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from the fiscal year ending June 30, 2001, was used to reduce the Taxes owed as a result of the profit. State Taxes are owed only to the state of California in the estimated amount of \$1,086.17, which the Company plans to pay on or before the due date of December 15, 2001. No provision has been made for Federal Taxes since the Company reasonably expects to acquire and merge with a public shell company in the next 90-100 days that has an NOL of \$250,000, which will shelter the Company's current profits from Federal Taxes. In the event the Company has not entered into a formal agreement to merge with this shell company by December 14, 2001, then management intends to pay the applicable estimated Federal Taxes on December 15<sup>th</sup>.

NOTE 12. DISTRIBUTION OF THE ITS ASSET PURCHASE COSTS

Capital Cost Of ITS Assets - The Asset Purchase Agreements require the Company to pay the ITS Estate a total of \$650,000 ("Purchase Price") for the Purchased Assets. The Company's payment of this Purchase Price consists of (i) \$400,000 previously deposited with the Trustee in the form of a cashiers check that remains in the Trustee's trust account until the Closing on December 28, 2001, (ii) \$50,000 in the form of a Note Payable that is due on December 28, 2001, and (iii) 666,667 Estate Shares that the parties have valued at a total of \$200,000. (See Notes 1, 6 and 7 of these Notes To Financial Statements.) The Company has also included certain other directly related expenses ("Additional Acquisition Costs") in its process of capitalizing the costs associated with acquiring the Purchased Assets. These Additional Acquisition Costs total \$113,164.68, and consist of (i) \$81,000 paid to LaRae as the Consulting Fee, (ii) \$26,542.50 paid to the law firm of Pachulski, Stang, Ziehl, Young & Jones for legal services, (iii) \$5,000.00 paid to the accounting firm of Price Waterhouse Coopers for consulting services, and (iv) \$622.18 paid to Jory, Peterson, Watkins and Smith for legal services. The Company is therefore capitalizing a total of \$763,164.68 ("Capitalized Cost") as its cost of acquiring the Purchased Assets.

Distribution Of Cost To Specific Assets - The Company distributed the Capitalized Cost to the Purchased Assets as follows, (i) \$409,827.75 to Accounts Receivable, (ii) \$20,700.00 to Deposits, (iii) \$2,062.50 to Inventory, (iv) \$30,000.00 to Fixed Assets, (v) \$150,575.43 to the ITS Customer Base, and (vi) \$150,000.00 to Goodwill.

NOTE 13. AUDITORS

The Company has engaged the services of Stonefield Josephson, Inc., a major regional CPA firm located in Santa Monica, California, as its auditors. Stonefield Josephson will be auditing the Company's first yearend financial statements, for the fiscal year ended June 30, 2001, which the Company expects to be completed by mid-December 2001.

NOTE 14. SUBSEQUENT MATERIAL EVENTS

Subsequent to September 30, 2001, the Company authorized and began issuing, through a private placement, a Series B preferred stock ("Series B") for \$1.00 per share. For a period of 18 months after purchase ("Convertible Period"), the Series B is convertible into one share of the Company's common stock for each share of preferred. If not converted, a Series B stockholder will be paid 7.0% annual interest on the investment, beginning at the end of the Convertible Period.